

## Moscow Expresses Its Concern About Romania Violence

Compiled by Our Staff From Dispatches

MOSCOW — The Soviet Union expressed concern on Tuesday about events in Romania, and the Tass news agency said troops and militia were patrolling the streets of Bucharest.

The United States condemned what it called "the brutal use of police force" against pro-democracy protesters and said the Bush administration was consulting with allies on a possible response.

Reports of heavy casualties continued on Tuesday, with the Yugoslav news agency Tanjug saying that up to 2,000 people had been killed in Romania since the weekend.

The agency and Budapest radio reported more clashes on Tuesday in the Transylvanian city of Timisoara, where protesters called for the overthrow of the country's hard-line Communist leader, Nicolae Ceausescu.

The accounts could not be independently confirmed because Romania has barred virtually all foreigners from entering the country.

The White House spokesman, Martin Fitzwater, acknowledged that the United States had slight leverage to use against the Ceausescu government.

But he said the administration was consulting with its allies about a response under the 35-nation Helsinki Conference on Security and Cooperation in Europe.

The Soviet foreign minister, Eduard A. Shevardnadze, said in Brussels he had "preliminary information about some unpleasant things that have happened there."

In a report from the Romanian capital, Tass said state institutions and factories were under increased guard and that Communist Party members and others had been put on duty in them.

Moscow said restrictions were in force on their common border.

Answering questions after visiting the headquarters of the North Atlantic Treaty Organization in Brussels, Mr. Shevardnadze said, "I can only say that, if indeed some loss of life has occurred, I can only express my profound regret."

Soviet officials have refrained

until now from any public comment on events in Romania.

An editor at the official press agency in Soviet Moldavia, which shares a border with Romania, said the Romanian authorities had imposed strict controls on entry into the country.

"They are allowing through only transit passengers on their way to Bulgaria," the editor said. He indicated that all other travelers by rail and road were being turned back at border crossing points.

A correspondent for Tanjug in the Romanian capital said police and civil guard units were also out in force on the streets of Timisoara, the city where the weekend violence occurred, and in the town of Arad.

"It is unofficially learned that there was shooting again this morning in Timisoara," Tanjug said, without giving a more precise source.

A Greek student who left Timisoara early Tuesday said at the Yugoslav-Romanian border that he had seen tanks in the city and a factory burning.

In Britain, a Foreign Office official, William Walgrave, said, "The message we must get across is that those in the security services, those working for the state, should recognize that a day of reckoning will come for them as it has come for the East Germans and others."

He added, "The right thing for them to do from their own safety point of view is to represent the true will of the Romanian people and put an end to this regime."

Foreign ministers of the 12 European Community nations denounced the violence, and several governments summoned Romanian diplomats to protest.

In Brussels, the foreign ministers said in a statement the regime of President Ceausescu was "turning its back on all the commitments concerning human rights to which it has subscribed."

An Austrian protest was handed to the Romanian chargé d'affaires, Marian Radu, and Foreign Minister Alois Mock of Romania, using unusually blunt language, referred to a "quite evil Communist regime." (Reuters, AFP, UPI, AP)



Prime Minister Hans Modrow, right, speaking in Dresden as Chancellor Helmut Kohl listened.

## Treaty on German Ties To Be Signed by Spring

By Serge Schmemmann  
New York Times Service

DRESDEN, East Germany — The leaders of the two Germanys met on Tuesday for the first time since the East began its struggle for renewal and announced that they planned to sign a treaty by next spring establishing future forms of social, economic, cultural and other ties.

The treaty derives from a call by Prime Minister Hans Modrow of East Germany for a "community of treaties" to be established between the two Germanys, as well as from another by Chancellor Helmut Kohl of West Germany, for the establishment of "confederative structures" as a prelude toward eventual reunification.

Mr. Kohl and Mr. Modrow also said their personal contacts would continue with a visit to West Germany by Mr. Modrow in late January. Economic ministers of the two Germanys also announced the inauguration of a process of economic cooperation early in January.

Helmut Haussmann, the West German economics minister, said a joint economic commission would begin work in January on protection of investments, transfer of profits and other measures to encourage West German investment

in East Germany. Mr. Haussmann said visits by West German businessmen were also being planned, including a record contingent at the next Leipzig trade fair in March.

Coming against the background of loud demonstrations in the streets for reunification, the summit meeting seemed to represent the quickening of German rapprochement that has followed the collapse of Communist rule in the past two months.

"Helmut and Hans, make us whole," read a typical placard carried in the crowd.

Both leaders, however, stressed

repeatedly that the Germanys could draw closer only in the context of European unification. Mr. Kohl quoted Konrad Adenauer, the first chancellor of West Germany, as saying that the "German question" could be solved only under a European roof. "We are well advised to think on this again and again," he said.

The cautionary note reflected German sensitivity to the concern that has been increasingly evident in Moscow and in the West over the destabilization that could come with a precipitous rush to union.

At the same time, Mr. Kohl and Mr. Modrow made clear that they disagreed fundamentally on the issue of unity, which has assumed a central place in the politics of both Germanys with increasing clamor from East Germans for a quick integration of the German nation.

Although Mr. Kohl has announced a 10-point program toward confederation and eventual unity, Mr. Modrow, the former East German Communist Party chief, who has emerged as the sole source of governmental authority with the collapse of the party, repeated Tuesday that "my proposal is that there are two different Ger-

See GERMANY, Page 2

## Berlin to Open Historic Gate

Reuters

DRESDEN, East Germany — The leaders of West and East Germany agreed on Tuesday to meet Saturday in the heart of Berlin at the Brandenburg Gate to inaugurate a new opening in the Berlin Wall.

They also announced that, from Christmas Eve, West Germans will be able to cross to the east without visas.



Eduard A. Shevardnadze removing his headphones after a news conference in Brussels.

## Shevardnadze Firm: Slow Down on Unity

By Edward Cody  
Washington Post Service

BRUSSELS — The Soviet foreign minister, Eduard A. Shevardnadze, after a visit to NATO during which he hailed the Western alliance's "stabilizing role," warned Tuesday against letting German desire for reunification race out of control and endanger peaceful change in Eastern Europe.

The Soviet official, in a speech before the European Parliament's political committee, specifically rejected "appeals or advice" aimed at nudging East Germany toward early union with West Germany and condemned what he called "the dangerous irrationality of destroying the postwar realities" in the name of German self-determination.

Mr. Shevardnadze's remarks, delivered as the West German chancellor, Helmut Kohl, visited East Germany, seemed calculated to counter suggestions that democratic change will inevitably usher East Germany toward a merger with West Germany.

Using blunt language, he reminded Germans and other Europeans that reunification raised ugly World War II memories in some nations, the Soviet Union among them, and that these doubts must be met by guarantees.

"Surely the peoples of the Soviet

Union are entitled to know what any changes in Central Europe would mean for their future and their security," Mr. Shevardnadze said. "We paid the price of 20 million lives for the existing European stability. Furthermore, can the German people themselves forget the national tragedy brought onto them by Hitlerism?"

The Soviet president, Mikhail S. Gorbachev, warned Dec. 9 that talk of joining the German states soon was "fraught with destabilization in Europe" and that their future must be charted only in the context of broad European evolution.

With his remarks on Tuesday, Mr. Shevardnadze appeared to be reinforcing that warning, making it stronger and more explicit, and underlining Soviet determination to prevent East Germany from sliding westward in the near future.

"The appeals to the German Democratic Republic to join the Federal Republic of Germany have aroused concern not only among political parties and people in the German Democratic Republic, who are being advised to renounce their statehood and make the German Democratic Republic a part of NATO," he said. "The neighbors of the German Democratic Republic and the Federal Republic of Germany are also concerned. That, too, is understandable."

See NATO, Page 2

## Kiosk

### Train Crash Kills 3 in U.S.

STOCKTON, California (UPI) — At least three persons were killed and 24 seriously injured when a five-car passenger train carrying more than 150 travelers slammed into a truck in heavy fog Tuesday, derailling and bursting into flames.

The San Joaquin County Coroner's Office said the truck driver was killed. Amtrak said two train crew members also died.

The California Highway Patrol said there were "multiple fatalities" and "many injuries."

**Tight Paris Security**  
PARIS (AP) — Security personnel will step up already tight anti-terrorist measures at airports around France with more luggage searches for arms and explosives, officials said Tuesday.

**General News**  
The FBI warned U.S. courts and rights groups over bombs sent in the mail. Page 3.

**Stage/Entertainment**



Sheila Hancock as "Pria," whom Sheridan Morley describes as "a teacher with a mission to put old heads on young bodies." His review of the London play is on Page 8.

**Business/Finance**  
The European Community unveiled cooperation proposals with East Germany. Page 11.

**Crossword** Page 8.

Dow Jones		The Dollar	
In New York			
2,686.61	DM	1.7365	
Down	Pound	1.6005	
1.92	Yen	143.695	
	FF	6.9275	

## U.S. Doctors Cite Gain in AIDS Fight

By Gina Kolata  
New York Times Service

NEW YORK — For the first time, researchers have apparently eradicated the AIDS virus from a patient's body, but experts cautioned that many more patients must be treated before the effectiveness of the technique can be fully determined.

Doctors at the Johns Hopkins School of Medicine in Baltimore reported that they had eliminated the virus from a man who later died of cancer.

They achieved this by combining a bone-marrow transplant with administration of AZT, or azidothymidine, the only drug approved for treating the AIDS virus.

Experts say this is the first time they know of that anyone has actually rid a patient of the virus. Doctors have previously been able to slow the progress of AIDS in many patients, but they have never been able to eliminate all traces of the virus or effect a cure.

The new treatment, reported Monday, offers some hope of becoming a cure for AIDS, or acquired immune deficiency syndrome. But researchers caution that they will have to treat more patients to be sure of the method's success.

And even if the treatment proves effective, enormous costs and practical difficulties in obtaining the needed bone marrow could limit its applicability.

"Within the limits of detection, we have gotten rid of the AIDS virus," said Dr. Rein Saral of Johns Hopkins, the leader of the group that did the transplant.

The result "does raise some hope that this could be a cure" for AIDS, said Dr. Frederick R. Appelbaum, a transplant expert at the Fred Hutchinson Cancer Center in Seattle and a member of a group that plans to start its own bone-marrow transplants in patients with AIDS. "It is certainly very intriguing," he said, but "it is also just a single case."

The patient was a 41-year-old man who had AIDS and also a lymphoma, an immune-system cancer that often afflicts people with AIDS. By giving him a bone-marrow transplant, doctors hoped to cure his lymphoma and AIDS. Bone marrow is the source of immune-system cells, which are infected and killed by the AIDS virus.

The idea was to destroy the patient's bone marrow with massive

See AIDS, Page 2

## Soviet Parliament Votes for Economic Change

By Michael Dobbs  
Washington Post Service

MOSCOW — Parliament approved a program for economic change on Tuesday, setting the Soviet Union on a slow course toward a market economy while postponing the most painful decisions for at least three years.

The six-year program marks the first concerted plan presented by the Kremlin to dismantle the system of central planning under which the Soviet Union has been run for the last six decades. But it has drawn fire from radicals who argue that the pace of proposed change is too slow and con-

servatives who insist that it is too fast.

The Bush administration has also taken the unusual step of criticizing the plan presented to the Congress of People's Deputies last

Defying Moscow, Lithuania's Communist leader is pushing for independence. Page 2.

week by Prime Minister Nikolai I. Ryshkov, who is overly cautious. On Friday, the White House spokesman, Martin Fitzwater, said the drawn-out transition period could hamper Soviet efforts to join the

International Monetary Fund and World Bank.

After a heated four-day debate, the congress adopted the program by a vote of 1,532 to 419, rejecting a series of amendments proposed by radicals.

The vote was applauded by a deputy prime minister, Leonid I. Abalkin, who is responsible for putting the plan into effect, as "a victory of good sense over emotions."

The plan foresees a two-stage transition to a market-oriented economy, beginning with an attempt to improve the production of consumer goods and cut the budget deficit in order to ease growing

social tension. It makes clear that the government will continue to rely on state regulation to steer the economy during the first stage, which lasts from 1990 to 1992.

Replying to White House criticisms, the Soviet planning chief, Yuri D. Maslyukov said that it would be wrong for the Soviet Union "to give up state planning out of hand and plunge headlong into the stormy waters of a market economy."

Mr. Abalkin described as "demagoguery" a radical deputy's call for the government to choose once and for all between "perestroika and five-year plans."

Soviet leaders, including Mikhail S. Gorbachev, have warned of a possible social explosion in the event of an abrupt transition to a free market. Today, the Soviet Union spends 60 billion rubles a year — almost 15 percent of the entire state budget — in subsidizing food prices. Much of the rest of the economy is also propped up by huge state subsidies.

Radical economists, however, argue that the Kremlin is merely postponing and possibly making harder an inevitable crisis by refusing to shift immediately to a market system. They also say they doubt

See SOVIET, Page 2

## In Whispered English, a Beijing Haven for Dissent

By Steven Erlanger  
New York Times Service

BEIJING — "Now, after the June events, we lack all — faith?" the young man asked. "Is that the right word?"

Quite probably, he was assured. "No belief," said another young man. "He means we have no belief, no faith, no trust any more in what we are told."

There was a titter of laughter, and a shrill flutter of Chinese. What was so funny, a foreigner asked. "This guy," said a woman in wire-rim glasses and running shoes, hugging herself against the wind. "We say he thinks he is an English dictionary."

Despite halfhearted government attempts to shut it down, Beijing's "English Corner" was in full swing Sunday after a ragged and tentative start.

For years every Sunday morning, those wishing to practice their English with "foreign friends" and one another have come to the nicely landscaped glade in Purple Bamboo Park.

The corner was sponsored by a foreign-language institute, and its teachers would

often come to chat and practice themselves.

It became a place where Chinese could discuss current events and new ideas, many of them political, in a language in which it

'We must attend study sessions now, two afternoons a week. The party controls everything. We must sit and listen. My thoughts travel far away. Inside, I am free.'

A young Beijing bureaucrat

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cy demonstrations in June, the government finally got around to the corner. In mid-November, the area was cordoned off and notices were posted: "English Corner Has Been Withdrawn."

Yet on most Sundays since then, young Chinese have gathered there anyway, strolling past older companions practicing tai chi ch'uan, the martial art and meditative exercise form, amid the trees. They hover around the notice board, waiting for others to turn up.

About 9:30 A.M. last Sunday — the bamboo was still dusted with frost and cracked slightly in a biting breeze — the glade was empty.

The corner was gone but the notices remained. Young children, swaddled in enough clothing to make them seem like bearded, furry howling bears, spun down the well-swept pathways, followed by chattering parents. Two workmen poked lazily in the frozen earth, doing just enough digging to keep themselves warm.

As a foreigner began to turn away, thinking about hot coffee, two young women appeared, padded arm through padded arm.

"Have you come for the English Corner?" they were asked. They looked at each other and giggled. "We were thinking it was over," one of them finally said, enunciating carefully. "But we come anyway — to see."

A sort of conversation followed, about homework and studies and jobs. Within a few minutes, a crowd of about 30 people had gathered, and the talk turned gingerly political.

"What do Americans think of China now?" someone asked. And then, from another: "Is it true the Communist Party is resigned in Czechoslovakia?"

A man in his early 30s who works in the city bureaucracy began to speak of his job. "We must attend study sessions now, two afternoons a week," he said. "We sit and must study the statements of the leaders and the editorials in the newspapers. We must listen to our party unit leader talk and talk."

Another man grimaced. "It is so very boring," he said. There was more laughter and, from the perimeter of the group, a

See DISSENT, Page 2

## Havel Seems Set for the Presidency

Reuters

PRAGUE — Vaclav Havel, the playwright and opposition leader, seemed set to become Czechoslovakia's president after the Federal Assembly decided Tuesday to choose a new head of state before the end of the year and its steering committee called an election session for Dec. 29.

Mr. Havel's election became all but certain after Prime Minister Marian Calfa and other leading Communists endorsed his candidacy during parliament's session on Tuesday.

"It does seem that I am the likely person to be elected," said Mr. Havel, the central figure of the opposition, which in the last month has forced through democratic changes and ended the Communist Party's monopoly on power.

Mr. Calfa, presenting his government's program to the parliament, said a new head of state should be chosen soon "in the interests of stabilizing the country."

Controversy and confusion over electing a successor to Gustav Husak, who resigned as president nine days ago, have slowed the rapid pace of change in recent days.

Thousands of students, also supporting Mr. Havel, picketed parliament to demand that democratic change be continued.

"It is the government's opinion that there is no alternative but to elect Vaclav Havel — with the provision that this period is limited by the time a Federal Assembly based on free elections meets and elects a new president."

The endorsement of Mr. Havel was greeted with loud applause that came mainly from the specta-

See HAVEL, Page 2



# Lithuania Communists Pushing for Independence

By David Remnick

Washington Post Staff Writer

VILNIUS, U.S.S.R. — The Lithuanian Communist Party leader, Algirdas Brazauskas, outlined a radical new platform on Tuesday in which the republic's party would break with Moscow and dedicate itself to the eventual creation of an independent Lithuanian state.

The Lithuanian party is expected during its congress this week to defy repeated warnings from the Soviet president, Mikhail S. Gorbachev, and endorse by an overwhelming majority Mr. Brazauskas' series of proposals.

Mr. Brazauskas told the congress in a speech broadcast throughout the republic that the new independent party structure in the republic would still maintain "fraternal relations" with the central party organization, but would consider itself free of Kremlin control.

He said the Lithuanian party considered the future of the Soviet Union to be a "union of sovereign states."

"The notion of the union is higher than a federation, and only this is acceptable to sovereign states," he said.

Such a union, he added, "will strengthen Lithuania's sovereignty and will guarantee its independence, and it will allow us to build a Soviet Union from which we can secede if we wish."

With the rise in Lithuania in the last two years of independent political groups and alternative parties, like the Social Democrats and the Christian Democrats, the Communists have struggled to regain a measure of prestige and public support by apologizing for historical "mistakes." They have also disassociated themselves from Kremlin rule.

In the last year, more than 10,000 people have left the Lithuanian Communist Party, and in the legislative elections in March the independence group Sajudis trounced nearly every Communist Party candidate.

"We announce here publicly that

the Communist Party of Lithuania is to blame politically for becoming a constituent part of the Stalinist, totalitarian system and for carrying out its instructions," Mr. Brazauskas said. "We Communists of contemporary Lithuania must create conditions in which that will never happen again."

Mr. Brazauskas' endorsement of eventual independence for Lithuania is in sharp conflict with the Kremlin's desire to keep to a policy of gradual transfer of economic and political control to the 15 republics. But the yearning for independence, Mr. Brazauskas said, is an integral part of "our people's consciousness."

Lithuania was an independent state in the 20 years preceding World War II. The Nazi-Soviet pact led to the Soviet annexation of Lithuania, Latvia and Estonia in 1940. Lithuanians, including the Communist Party leadership, consider the pact an illegal document of occupation. A commission report in the Soviet national Con-

gress of People's Deputies, expected this week, will also denounce the pact, according to several legislators.

A leader of Sajudis, Arvydas Juozaitis, said Mr. Brazauskas' speech was "a dress-rehearsal."

"We are getting acquainted with the processes of secession," Mr. Juozaitis said.

Mr. Gorbachev's policies of change have led to a wave of support for secession from the Soviet Union, or at the least for greater sovereignty from Moscow. Mr. Brazauskas' endorsement of eventual independence for Lithuania may make him more popular in his republic, but it is unlikely to win him any allies in Moscow. On several occasions, Mr. Gorbachev has tried to persuade Mr. Brazauskas not to join the popular movement for independence.

Mr. Gorbachev, who is struggling with both conservative resistance and radical opposition within the Communist Party, considers Mr. Brazauskas' move counter-

productive to the Kremlin's proclaimed drive to change the party. In a "Letter to the Lithuanian Communists," published earlier this month in the party newspaper Pravda, Mr. Gorbachev warned, "Unless we remain together, we will go nowhere."

A few months ago, Mr. Brazauskas approached questions about the independence of both his party and his republic with great care and reluctance. But his radicalization has been swift, the result of local political realities.

Although Mr. Brazauskas acknowledged there was a "red line beyond which social instability may occur," he said that the "existing status of the Communist Party of the Soviet Union fails to meet the present requirements of Lithuania."

Lithuania will hold elections in March, and Mr. Juozaitis said he thought that among the official political parties the Communists would poll about 35 percent of the vote and the Social Democrats 10.



Algirdas Brazauskas

## WORLD BRIEFS

### Demonstration Reported in Albania

BELGRADE (AFP) — Large numbers of Albanians demonstrated in the northwestern town of Shkoder "a few days ago," according to the Yugoslav daily Politika Ekspres, citing "well-informed sources." A spokesman at the Albanian Embassy in Belgrade, however, denied the report, saying that there had been no demonstration in Shkoder and that he had confirmed this with Tirana.

The report on Tuesday said that "a large number of people" staged a protest in the town on Lake Shkoder, which straddles the Albanian-Yugoslav border. The cause of the reported demonstration was not clear, the newspaper said.

### Chile Police Chief Granted Amnesty

SANTIAGO (UPI) — The former head of President Augusto Pinochet's secret police has been given an amnesty for the disappearances of 77 people detained after the 1973 coup that brought General Pinochet to power, an attorney said Tuesday.

The grant of an amnesty came in a case against retired General Manuel Contreras Sepúlveda, who is also wanted by the United States in connection with a 1976 car bomb attack that killed two people on Embassy Row in Washington.

The attorney, Nelson Guillermo, said General Contreras was given an amnesty by a military judge in a case filed by the families of 77 people who disappeared between 1973 and 1976. The court applied a 1978 law that provides an amnesty for human rights violations after the 1978 coup.

### Ex-Afghan Minister Defects to Rebels

PESHAWAR, Pakistan (Reuters) — A former civil aviation minister in the Soviet-backed Afghan government said Tuesday that he had defected to Pakistan-based rebels with whom he had secret contacts for 10 years. The former minister, Pashagul Wafadar, said he had left Afghanistan on orders from a rebel group, the Islamic Party of Gulbuddin Hekmatyar, leaving his wife, a son and a daughter in Kabul. Mr. Wafadar, 44, was minister in a cabinet of a former prime minister, Mohammed Hassan Sharq, formed in June 1988. He was replaced in a cabinet reshuffle eight months later.

Mr. Wafadar said he had joined the cabinet on an Islamic Party directive as one of several ministers not belonging to the ruling Communist Party so that he could help the guerrilla struggle. Last week, a low-ranking diplomat at the Afghan Embassy in the Pakistani capital of Islamabad also defected to the Islamic Party after having passed information to the guerrilla group for five years.

### French Newspapers Warn Strikers

PARIS (Reuters) — French national newspaper owners gave striking distribution workers a 24-hour ultimatum on Tuesday, toughening their stand over a five-day dispute.

The owners threatened to either shut down their newspapers and lay off their staffs or to stop doing business with the distribution company, NMPP, unless the strikers returned to work on Wednesday. "This is the 14th time in a year that newspapers have not been distributed," a spokesman, Jean Miot, said after the owners met. "It is a moral blow to the industry, a threat to the livelihood of vendors and proof of contempt for workers."

Workers at NMPP went on strike on Friday night over a pay claim, disrupting deliveries and forcing national newspapers to cut production. It was the sixth strike this year at NMPP, which has a virtual monopoly on distribution and where virtually all of the workers are members of the Communist-run CGT trade union.

### Palme Suspect Claims Damages

STOCKHOLM (AP) — A Swede who was acquitted of the 1986 murder of Prime Minister Olof Palme is demanding \$320,000 in compensation for the 10 months he was imprisoned for questioning and trial, news reports said Tuesday.

The claim by the man, Christer Pettersson, 42, was the highest on record in a criminal case, the Swedish News Agency reported. He had previously said he was not interested in the money.

Mr. Pettersson, a diver with a long criminal record, was convicted in July, but won an appeal in November on the ground of insufficient evidence. Investigators have said he remains a suspect, despite his acquittal.

### For the Record

At least 102 people, most of them over 65, died in Britain in the worst influenza epidemic in 15 years during the first week of this month, according to government figures released Tuesday. (AP)

Prime Minister Herbert A. Blaize of Grenada died Tuesday, Sir Paul Scoon, the governor general, announced. Mr. Blaize, 71, had suffered for years from cancer. (AP)

## TRAVEL UPDATE

### Canada to Extend Ban on Smoking

OTTAWA (UPI) — Canada will become the first country in the world to ban smoking on international flights by domestic airlines when sweeping regulations take effect Jan. 1, Transport Minister Benoit Boivin said Tuesday.

The regulations extend the existing smoking ban on domestic flights to all international flights by Canadian carriers, except charter flights by special groups. Canada banned smoking on domestic flights in 1987 in an effort to create a smoke-free country by the year 2000.

The smoking ban also extends to intercity bus travel, as well as on trains with fewer than three cars. The ban coincides with a previously announced plan to prohibit smoking in all government buildings, including Parliament, and in the offices of some 40 state-run corporations. Specially designated smoking rooms will be allowed.

India and Hong Kong have started negotiating an agreement on air services designed to avoid a break when the British colony reverts to China in 1997, the government said Tuesday. A new route schedule under which Cathay Pacific would fly to India via Thailand and Vietnam and on to the United Arab Emirates was negotiated, a statement said. Air India would operate on the same route and continue from Hong Kong to Japan and Seoul, it added. (AP)

Dense acid smog enveloped Ankara and other Turkish cities Tuesday, disrupting road and air traffic. Experts said there was a serious health risk from the smog, especially in Ankara. (Reuters)

## WEATHER

EUROPE				ASIA			
	HIGH	LOW	WIND		HIGH	LOW	WIND
Amsterdam	18	6	4-8	Bangkok	31	24	10-15
Antwerp	18	6	4-8	Beijing	21	14	10-15
Berlin	18	6	4-8	Calcutta	31	24	10-15
Bombay	31	24	10-15	Chengdu	19	14	10-15
Brussels	18	6	4-8	Hong Kong	31	24	10-15
Cairo	24	14	10-15	Kobe	21	14	10-15
Cardiff	18	6	4-8	Manila	31	24	10-15
Copenhagen	18	6	4-8	Osaka	21	14	10-15
Dublin	18	6	4-8	Seoul	21	14	10-15
Edinburgh	18	6	4-8	Singapore	31	24	10-15
Geneva	18	6	4-8	Taipei	31	24	10-15
Helsinki	18	6	4-8	Tokyo	21	14	10-15
London	18	6	4-8				
Luxembourg	18	6	4-8				
Madrid	18	6	4-8				
Moscow	18	6	4-8				
Munich	18	6	4-8				
Nice	18	6	4-8				
Paris	18	6	4-8				
Prague	18	6	4-8				
Rome	18	6	4-8				
Stockholm	18	6	4-8				
Strasbourg	18	6	4-8				
Vienna	18	6	4-8				
Zurich	18	6	4-8				
AFRICA				LAIN AMERICA			
	HIGH	LOW	WIND		HIGH	LOW	WIND
Algiers	24	14	10-15	Buenos Aires	24	14	10-15
Cairo	24	14	10-15	Caracas	24	14	10-15
Cape Town	24	14	10-15	Chicago	24	14	10-15
Conakry	24	14	10-15	Cincinnati	24	14	10-15
Harare	24	14	10-15	Cleveland	24	14	10-15
Johannesburg	24	14	10-15	Dallas	24	14	10-15
Luanda	24	14	10-15	Detroit	24	14	10-15
Nairobi	24	14	10-15	Houston	24	14	10-15
Yaounde	24	14	10-15	Los Angeles	24	14	10-15
NORTH AMERICA				MIDDLE EAST			
	HIGH	LOW	WIND		HIGH	LOW	WIND
Atlanta	24	14	10-15	Amman	24	14	10-15
Boston	24	14	10-15	Baghdad	24	14	10-15
Buffalo	24	14	10-15	Beirut	24	14	10-15
Calgary	24	14	10-15	Bombay	24	14	10-15
Chicago	24	14	10-15	Brussels	24	14	10-15
Cincinnati	24	14	10-15	Cairo	24	14	10-15
Cleveland	24	14	10-15	Cardiff	24	14	10-15
Dallas	24	14	10-15	Copenhagen	24	14	10-15
Detroit	24	14	10-15	Dublin	24	14	10-15
Houston	24	14	10-15	Edinburgh	24	14	10-15
Los Angeles	24	14	10-15	Geneva	24	14	10-15
Memphis	24	14	10-15	Helsinki	24	14	10-15
Minneapolis	24	14	10-15	London	24	14	10-15
Moscow	24	14	10-15	Luxembourg	24	14	10-15
New York	24	14	10-15	Madrid	24	14	10-15
Philadelphia	24	14	10-15	Moscow	24	14	10-15
Pittsburgh	24	14	10-15	Munich	24	14	10-15
San Francisco	24	14	10-15	Nice	24	14	10-15
Seattle	24	14	10-15	Paris	24	14	10-15
St. Louis	24	14	10-15	Prague	24	14	10-15
Tampa	24	14	10-15	Rome	24	14	10-15
Washington	24	14	10-15	Stockholm	24	14	10-15
Wichita	24	14	10-15	Strasbourg	24	14	10-15
Yakima	24	14	10-15	Vienna	24	14	10-15
Zürich	24	14	10-15	Zurich	24	14	10-15

WEDNESDAY'S FORECAST — CHANNING: Very show. FRANKFURT: Part. Temp. 12-14 (10-12). AMSTERDAM: Part. Temp. 14-16 (12-14). BERLIN: Part. Temp. 14-16 (12-14). BOMBAY: Part. Temp. 14-16 (12-14). CHICAGO: Part. Temp. 14-16 (12-14). CINCINNATI: Part. Temp. 14-16 (12-14). CLEVELAND: Part. Temp. 14-16 (12-14). DALLAS: Part. Temp. 14-16 (12-14). DETROIT: Part. Temp. 14-16 (12-14). HOUSTON: Part. Temp. 14-16 (12-14). LOS ANGELES: Part. Temp. 14-16 (12-14). MEMPHIS: Part. Temp. 14-16 (12-14). MINNEAPOLIS: Part. Temp. 14-16 (12-14). MOSCOW: Part. Temp. 14-16 (12-14). NEW YORK: Part. Temp. 14-16 (12-14). PHILADELPHIA: Part. Temp. 14-16 (12-14). PITTSBURGH: Part. Temp. 14-16 (12-14). SAN FRANCISCO: Part. Temp. 14-16 (12-14). SEATTLE: Part. Temp. 14-16 (12-14). ST. LOUIS: Part. Temp. 14-16 (12-14). TAMPA: Part. Temp. 14-16 (12-14). WASHINGTON: Part. Temp. 14-16 (12-14). WICHITA: Part. Temp. 14-16 (12-14). YAKIMA: Part. Temp. 14-16 (12-14). ZÜRICH: Part. Temp. 14-16 (12-14).

## U.S. Affirms Israel-Iran Deal on Oil

WASHINGTON — The United States said Tuesday that Israel had bought oil from Iran and informed Washington of the purchase after the fact.

The State Department spokeswoman, Margaret D. Tutwiler, said that Israel had volunteered the information "a month ago, after the fact."

NBC News reported on Monday that Israel had paid \$36 million for two million barrels of Iranian oil unloaded in Eilat in mid-November. It quoted Israeli and American intelligence sources.

The report said the purchase was part of a bid to win freedom for Israeli prisoners of war and possibly Western hostages held in Lebanon and that Washington had given its blessing to the deal.

Miss Tutwiler denied this, saying: "Israel informed us a month ago after the fact that it had concluded a deal with Iran for purchase of Iranian oil. Foreign countries do not seek U.S. approval for oil purchases from a third country."

Israel said it would not comment on oil purchases.

Yossi Olmert, head of the government press office in Jerusalem, said some Israelis believed Iran could not be ignored because of its strategic importance.

"I personally believe Iran is and should be a very important strategic location for the Western world altogether," he said.

Miss Tutwiler said Washington's refusal to make deals with host-takers remained in force.

The NBC report also said that Iran was interested in buying spare parts from Israel for military equipment originally bought in the West.

Miss Tutwiler said U.S. law prohibited the transfer of equipment of U.S. origin without U.S. approval.

"Israel is well aware of this requirement and has told us they will abide by it," she said.

## Rhode Island Complex Is Destroyed by Blaze

The Associated Press

PROVIDENCE, Rhode Island — A fire destroyed most of a converted 126-year-old mill complex during the night in the biggest blaze in Providence history, officials said Tuesday.

Three fire fighters suffered minor injuries.

The fire gutted six of nine buildings in the complex, which had been converted to shops and other businesses. Up to 150 fire fighters battled the blaze.



Prime Minister Marian Calfa, left, and Deputy Prime Minister Valtr Komarek during a parliament session in Prague on Tuesday.

## HAVEL: Wins Backing

Prime Minister Marian Calfa, left, and Deputy Prime Minister Valtr Komarek during a parliament session in Prague on Tuesday.

Mr. Havel also received significant support from two smaller parties once allied to the Communists but now taking a more independent stance.

The leader of the People's Party, Josef Bartonik, addressing parliament immediately after Mr. Calfa, endorsed Mr. Havel. Earlier, the Socialist Party, as well as Cestmír Cisar, a former Communist Party secretary who withdrew his own candidacy, also said Mr. Havel should be chosen.

Mr. Calfa outlined a temporary economic program, saying that his government would only hold office until free parliamentary elections.

"The economic system of the last few decades has failed," he said. He also promised a new budget by March 1. He said Czechoslovakia had to catch up with the latest technology, turn away from heavy industry and mining, encourage the development of hard currency markets and open up its economy.

"The long-term aim of the economy is the transfer to a market economy, to increase living standards and to make better use of natural resources," Mr. Calfa said.

He also said priority would be given to measures to protect the severely polluted environment.

## NATO: Shevardnadze Is Firm on Future of Germany

(Continued from page 1)

In his visit to headquarters of the North Atlantic Treaty Organization in the Brussels suburb of Evere, Mr. Shevardnadze went out of his way to endorse the continued usefulness of NATO and the Warsaw Pact in providing stable frameworks for the radical changes under way in East-West relations.

This marked a distinct shift from earlier Soviet stands calling for dismantling of both military alliances. A diplomat suggested more recent Soviet thinking views the alliances as a way to circumscribe enthusiasm for German reunification.

"We believe the Warsaw Treaty and NATO at this crucial stage in the European process can play an important stabilizing role in stabilizing Europe," Mr. Shevardnadze said as he left NATO headquarters.

The symbolic value of his visit to the center of an alliance formed in 1949 to counter Moscow was particularly visible as he walked to the exit after about 90 minutes of talks with the NATO secretary-general, Manfred Wörner, and ambassadors of the 16 NATO nations. NATO employees saluted his passage along a corridor with applause.

Mr. Wörner, meeting with reporters, said Mr. Shevardnadze had favorably mentioned the suggestion in Berlin last week by Secre-

tary of State James A. Baker 3d that NATO give more emphasis to its political role in dealing with the swift changes in Europe.

In his speech later, Mr. Shevardnadze also suggested that while Warsaw Pact nations must remain committed to that alliance, it also should evolve in the same direction.

"It is our view that its nature must change, with political aspects prevailing over its military substance," he said.

Turning to his questions about German reunification, Mr. Shevardnadze drew up a list of Soviet concerns in unusually clear language. He demanded to know, for example, whether a unified Germany would accept its borders as established after World War II.

"As we know, the government of the Federal Republic of Germany has avoided answering that question," he said.

The West German foreign minister, Hans-Dietrich Genscher, has repeatedly asserted a reunited Germany would not try to change the Oder-Niese border, established in 1945 with a loss of land to Poland.

Mr. Shevardnadze met separately with Mr. Genscher on Monday night, apparently to give him advance notice of his tough speech after a dinner with the 12 European Community foreign ministers.

But Mr. Kohl has been reluctant to make a similar guarantee on the

Oder-Niese border in public, aware of political sentiment in West Germany in favor of recovering land within the broader 1937 border.

"I am aware of Mr. Genscher's comments," Mr. Shevardnadze said. "But there are also the famous 10 points of Chancellor Kohl, and they don't always fit together."

European officials have pointed out that Mr. Kohl, in announcing on Nov. 28 his 10-point plan for German reunification, omitted any reference to retaining the Oder-Niese border.

Mr. Shevardnadze also cited a West German high court decision that he said affirmed the 1937 borders. No West German political leader has rejected this ruling, he said.

"It continues to exist, and we are worried about this," he added. "We must have an answer, to be worked out in common efforts."

Mr. Shevardnadze asked where a reunited Germany would fit into the postwar security system, alluding to Soviet fears such a change would mean East Germany leaving the Warsaw Pact.



## Mail Bomb Defused At NAACP Office

Police Investigate Links to Racists  
In Recent Series of Attacks in South

**SAVANNAH, Georgia** — A police bomb squad defused a parcel bomb on Tuesday that had been found at the office of the National Association for the Advancement of Colored People in Jacksonville, Florida, the latest discovery in a rash of mail bombings in the South that have claimed two lives, authorities said.

"It was designed to kill the individual that opened this package or anyone else standing in the area," said the sheriff of Jacksonville, Jim McMillan.

The building was evacuated and the bomb, which arrived in the mail Monday but was left unopened, was defused by disconnecting the battery from the explosive, officials said.

"It had a great similarity in the packaging to the other bombs," said Willi Ellison of the U.S. Bureau of Alcohol, Tobacco and Firearms. "It was addressed to no one specifically, but to the legal staff of the NAACP."

The FBI director, William S. Sessions, said in Washington that investigators were looking into race as a possible motive, noting that the incidents involved "federal judges who have heard cases involving racial matters," the NAACP and a black civil rights activist.

Under questioning at a new conference, Mr. Sessions said that more than one person might be involved in the bombings, which have killed a federal judge and a civil rights lawyer.

The parcel bomb that killed the lawyer in Savannah had been packed with nails, suggesting another link to the bomb that killed the judge and another bomb, authorities said.

The FBI warned judges, lawyers and NAACP activists to beware of package packages, saying white supremacists might be behind the attacks.

## In Israel, Fear Grows That Old Friends Are Losing Interest

By Glenn Frankel

**WASHINGTON Post Service**  
**JERUSALEM** — After years of complaining that the Western world has focused too much of its attention and moral indignation on this country, Israeli leaders and political analysts are now beginning to fear just the opposite: that the world, and especially the United States, is beginning to lose interest.

Several factors are feeding Israel's anxiety. The sudden collapse of the Soviet empire and the Kremlin's new policy of glasnost have engaged the United States in arenas where many of the parties appear dedicated to real change.

By contrast, the seeming immobility of the Israeli-Arab dispute, coupled with Israel's often ruthless repression of the Palestinian uprising, has made this country seem a less attractive place to expend diplomatic capital and energies.

At the same time, the decline of Soviet power means the United States may no longer need junior partners like Israel to serve as strategic outposts in the East-West conflict.

This growing disaffection with Israel and its conflict can be seen in the White

House, where senior Bush administration officials have given repeated public signals that their patience with Jerusalem is waning.

In Congress, leading members have warned Israeli officials that the tide is slowly turning against Israel because of its perceived intransigence.

But perhaps most important is the perception here that support for Israel among American Jews is eroding. Aryeh Naor, an Israeli writer and former cabinet secretary who recently spent a month touring the United States and Canada, concluded that "more and more Jews are keeping aloof from Israel's policies and thus do not participate in discussions and other activities as they always used to do."

Martin Indyk, executive director of the Washington Institute for Near East Policy, a pro-Israeli research organization, warned in a recent speech that "the strategic environment is undergoing rapid change."

He added, "It cannot but diminish Israel's importance over time."

If Israeli leaders are unwilling to pursue a peace settlement energetically, he said, Washington might wind up decid-

ing to "let Israel stew in its own juice."

Some Israeli leaders have refused to acknowledge these warnings. Prime Minister Yitzhak Shamir told the cabinet after his recent visit to the United States that he had received assurances from President George Bush and Defense Secretary Dick Cheney that the strategic alliance between the two nations would remain intact and that the United States would not press Israel to meet with the Palestine Liberation Organization.

Some argue that the greening of Eastern Europe has opened several opportunities for Israel. Hungary and Poland have pledged to restore diplomatic relations, broken after the 1967 Arab-Israeli war, and many expect East Germany, Czechoslovakia and the Soviet Union to eventually follow.

"World developments are not necessarily working against us," said Yosef Olmert, a Middle East expert who recently became head of the government press office. "We might lose something in terms of American assistance, but we could gain a lot in other ways. The bottom line could be very good for us."

But other officials and analysts are more cautious. Defense Minister Yitzhak

Rabin has reportedly established a panel of Israeli experts to analyze what will happen to Israel if the United States starts cutting back on defense spending and overseas strategic commitments.

"We should not continue to build our relations with the United States only on a joint strategy against the Soviet threat," Mr. Rabin told a parliamentary committee.

The strategic cooperation pact signed with the United States in 1981 gave hard-liners in Israel a freer hand in dealing with Palestinians.

Mark Heller, foreign policy analyst at the Jaffee Center for Strategic Studies at Tel Aviv University, said: "People on the right could argue, 'Look, the U.S. doesn't support us because we're good-looking or behave nicely but because they need us.' It was a nice, self-serving argument because you didn't have to justify your behavior toward Palestinians."

The value of that argument has been undercut, Mr. Heller said, to the extent that the perceived threat of Soviet expansion has lessened. "Now Israel will have to make the argument about its political positions on their own merits," he said.

That argument will have to be made in Washington as well as Jerusalem, and it will have to be made to American Jews, who serve as the base of Israel's support in the United States.

Opinion polls are so far ambiguous about this perceived erosion of interest and support among American Jews.

Steven M. Cohen, a sociology professor at Queens College in New York, has conducted polls almost annually for the American Jewish Committee. His conclusion after his latest survey was that despite the fact that large numbers of American Jews were upset or offended by this country's handling of the Palestinian uprising and by controversial legislation here to restrict the definition of who is a Jew, his respondents still sustained a high level of support for Israel.

But when Mr. Cohen broke down the data by age group, a trend emerged that Israeli and American Jewish leaders find disturbing. Although over 60 percent of those surveyed who were older than 65 were passionately committed to Israel, the numbers dropped proportionately with each age group until, among those under 35, only 25 percent had the same level of commitment.

## Leftist Concedes Defeat in Brazil Vote

The Associated Press

**BRASILIA** — The leftist candidate for president of Brazil bitterly conceded defeat on Tuesday after an official election returns showed his conservative rival, Fernando Collor de Mello, was the clear winner in Brazil's presidential election over the weekend.

"Collor de Mello won the election, but he won't do anything he promised during the campaign," said the defeated candidate, Luis Inacio da Silva.

"He will govern in favor of big business, the armed forces and the International Monetary Fund," said Mr. da Silva, who is widely known as Lula.

Mr. da Silva said his Workers Party and other leftist parties that backed him will form a "shadow government" to prevent Collor de Mello from committing abuses.

Workers Party officials appeared to reject any offer of conciliation. "Mr. Collor de Mello has a program and supporters that conflict with our program and with the way of handling politics in Brazil," said the party president, Luiz Gushiken.

"There's no sense in us joining a Collor government."

Mr. Collor declined to make a victory speech until the winner is officially announced by the Superior Electoral Court. That is expected Wednesday.

With 93.9 percent of the vote counted, official returns showed Mr. Collor with 32,884,545 votes, or 43.7 percent, and Mr. da Silva with 29,975,927 votes, or 38.9 percent.

Officials said the remaining ballots were blank or improperly filled out and considered null.

Meanwhile, leaders of Collor's



Fernando Collor de Mello, a conservative, won Brazil's first direct presidential election in 29 years.

10-month-old National Reconstruction Party met with President José Sarney's economic ministers and began negotiating alliances with political leaders.

The rightist party, with less than 3 percent of seats in Congress, lacks legislative weight needed to take emergency measures to revive the economy. Brazil's annual inflation rate is 1,500 percent, and its \$110 billion foreign debt is the biggest in the Third World.

"We are going to form a government of national unity, excluding no one," said Renan Calheiros, Mr. Collor's chief adviser.

Mr. Sarney said he would step down from office early if Congress votes to shorten his five-year mandate.

"If the Congress wishes, I won't be an obstacle," said Mr. Sarney, a civilian who took office in 1985 in an Electoral College vote coordinated by the country's top generals.

The president-elect is scheduled to succeed Mr. Sarney for a five-year term March 15, 1990, but pressure is mounting for Mr. Sarney to resign early. On Sunday, two cabinet ministers said the new president should take office soon to adopt economic measures.

The election Sunday marked the return of democratic elections after a rightist military regime ruled from 1964 to 1985.

Mr. da Silva called for suspension of payments on the foreign debt, land and urban reforms and redistribution of wealth. He appeared to have won a majority of the urban vote.

Mr. Collor, a free-market advocate who pledged a crackdown on corruption in government, won a huge majority among rural voters in the north and northeast.

## White House Backs The Trips to China

Compiled by Our Staff From Dispatches

**WASHINGTON** — The White House vigorously defended on Tuesday President George Bush's secret dealings with China, saying he had the right to conduct foreign relations as he sees fit and "has no intention of changing that."

But senior congressional aides predicted that there would be hearings on the administration's exchanges with China after Congress returns in January.

And Representative Stephen J. Solarz, Democrat of New York, said Mr. Bush's sending of high-level envoys to China after the Chinese massacre on pro-democracy demonstrators "makes the president look like a wimp in Beijing and a hypocrite in Washington."

The White House spokesman, Martin Fitzwater, under close questioning, declared Mr. Bush had not misled Americans, as critics contend.

"It is not misleading to not tell you about everything he's doing," Mr. Fitzwater said. "The president's up there in the Oval Office doing things all day long that you don't know and won't know about and that's not misleading."

Mr. Bush's policies came under fresh attack after the White House reluctantly acknowledged Monday that he had secretly sent two high-level envoys to China in July, a month after the killing of hundreds and perhaps thousands of pro-democracy demonstrators and at a time when the administration said it was suspending high-level exchanges with Beijing.

"Such a mission may have enhanced the confidence of the butchers of Beijing," Mr. Solarz said, "in the sensitivity of President Bush toward their concerns but it can only diminish congressional confidence in the willingness of the president to consult and cooperate with Capitol Hill." His statement was issued while he was in Katmandu, Nepal.

—Dismissing the prospect of dem-

aged relations with Congress, Mr. Fitzwater said: "We feel that for those who have been supportive of what we've tried to do, they will be supportive of this as well. For those who have been critical, they'll continue to be critical."

Denying that the administration had violated its own ban on exchanges with China, Mr. Fitzwater said there had never been any intention to cut off all high-level contact. He said there was a distinction between high-level "exchanges" and high-level "contacts."

In an article published in The Washington Post, Winston Lord, a career diplomat who served as former President Ronald Reagan's ambassador to China, denounced Mr. Bush's decision to send envoys to Beijing as a "severely misguided" step that will make the United States appear weak to China's leaders.

"One does not shore up the long-term foundations for Sino-American relations by appearing weak to China's leaders and callous to the Chinese and American people," Mr. Lord wrote.

His article was written before the White House's disclosure that Brent Scowcroft, Mr. Bush's national security adviser, and Lawrence S. Eagleburger, the deputy secretary of state, secretly visited Beijing on Mr. Bush's orders in July.

Senator George J. Mitchell, Democrat of Maine, the majority leader, said he was "astounded" to learn that Mr. Bush had sent the two officials to China on "another midnight mission, barely a month after the brutal killing of pro-democracy student demonstrators."

Representative Nancy Pelosi, Democrat of California, who sponsored legislation vetoed by Mr. Bush intended to protect Chinese students in the United States, said, "If this secret flight was supposed to encourage a change in Chinese policy, then it failed."

(NYT, WP, AP)

## AMERICAN TOPICS

### More Conversations By Phone Are Taped

A growing number of Americans, accustomed to taping everything from college lectures to TV shows, now own devices that allow them to record conversations with their families, friends and business associates.

"People tape conversations to keep track of business agreements, to preserve the voices of loved ones and to seek advantage in divorce cases," The New York Times reports.

The Federal Communications Commission and 16 states forbid telephone taping without the knowledge of both parties, or without the use of a periodic warning beep.

But the legality of these regulations has been in question since Congress passed a law in 1968 that said taping by one party in a conversation is not a federal crime.

Lawyers and sociologists spe-

cializing in privacy issues say the ability to record telephone calls with a home answering machine that sells for less than \$100 at the neighborhood electronics store may be making Americans both more tolerant of the practice and more guarded in their conversations.

"People with money always had this at their disposal," says Jairo A. Cuencas, whose New York company sells investigative devices.

"But now you see people at a lesser economic scale wanting to do the same."

### Short Takes

"As we lengthen life" with improved health care, "we increase the incidence of illness and disability," Daniel Callahan, an expert on ethical issues in medicine and biology, writes in The Washington Post.

"If we save a person from cancer, we increase his chance of becoming old enough to contract Alzheimer's disease. I do not mean this to be a morally insensitive observation, but to point out an inherent problem."

"There is no free lunch in health care. Progress is costly,

does not automatically enhance our welfare and delivers ambiguous, mixed results."

David Rubinsky, whose claim that he single-handedly killed 500 Japanese soldiers in World War II and deserved the Medal of Honor was rejected by the U.S. Army as unfounded, says he will fight on.

"It's not the medal I'm after, but justice," Mr. Rubinsky, 72, said. "I'm not going to give up."

He conceded that a notation in Japanese about such a feat might not be genuine. But he said the eyewitness account of his company commander, Joseph M. Stehling, should be enough.

Mr. Stehling, appearing with Mr. Rubinsky at a news conference, concurred. "I saw the dead bodies, a lot of them," he said. "I'm here to support David Rubinsky."

The world premiere of "Gone With the Wind" in Atlanta in 1939 was an all-white affair. Even Hattie McDaniel, whose portrayal of the matriarch Mammy made her the first black to win the Academy Award, was barred.

But Atlanta has elected two

black mayors since then, and blacks mixed with whites in Atlanta last week at the dressy 50th anniversary showing of the film.

The hands of the "doomsday clock" on this month's cover of the Chicago-based Bulletin of the Atomic Scientists remain at 6 minutes to Armageddon, where they have stood for two years.

A spokesman said that despite the "exciting revolution" in Eastern Europe, "it's still unknown what the final outcome will be."

Shorter Takes: New York City has switched from the classic yellow legal pad for its officials to white ones, which are easier to recycle. Yellow ones fetch so little from reproducers that they usually end up in landfills.

A new peril of ice hockey is nitrogen dioxide seeping from faulty ice resurfacing machines in poorly ventilated arenas.

Two-thirds of the players and cheerleaders at two Minnesota high school games came down with respiratory problems that could be related to nitrogen dioxide exposure.

Arthur Higbee

## Panama Tensions Rise After Second Shooting

The Associated Press

**WASHINGTON** — The situation appears to be deteriorating in Panama, where people are afraid for their lives in tension that has followed two recent shooting incidents, the Pentagon said Tuesday.

"What you have is a very difficult atmosphere in Panama right now," said a Pentagon spokesman, Pete Williams. "It's very tense."

On Monday, a U.S. Army lieutenant shot and wounded a Panamanian police officer. The Pentagon, calling the incident regrettable, said that the officer was not authorized to carry a weapon and that the incident was under investigation.

At the time, U.S. forces were on alert after Saturday's fatal shooting of Marine First Lieutenant Robert Paz and the reported beating of a navy couple who U.S. officials say witnessed the shooting.

President George Bush has refused to rule out military action against the government of General Manuel Antonio Noriega in response to Saturday's events.

Mr. Williams blamed Monday's incident in part on General Noriega's declaration Friday of a "state of war" with the United States. "People fear for their lives in Panama right now," Mr. Williams said.

A State Department spokeswoman said that the declaration of a state of war, followed only hours later by "indiscriminate and unprovoked violence against Americans clearly increases tensions in Panama."

"We find the unwarranted use of violence against Americans by the

Noriega regime unacceptable," she said.

The army lieutenant was leaving a laundry in western Panama City on Monday when the policeman motioned to him to stop and approach him, according to the U.S. Southern Command. It said the policeman appeared to reach for a gun. "The American responded defensively by pulling a weapon and fired two shots," the U.S. statement said. "The Panamanian went down, then got up and left the scene."

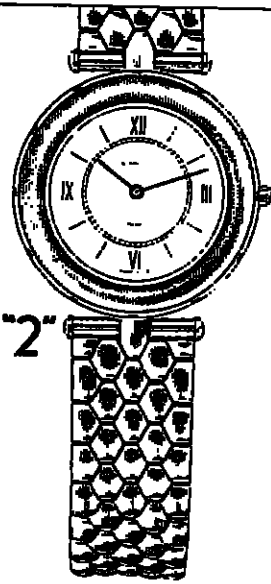
Panama, however, said the American was in a vehicle that "never stopped, on the contrary, accelerated." One of the two shots hit the policeman in the left forearm, its communique said.

Mr. Williams said that the lieutenant was in an authorized area at the time of the shooting, was in civilian clothes and was carrying a sidearm. Responding to a question, he said, "I don't believe he was authorized to have a weapon."

Mr. Williams said that the lieutenant was still being questioned, but "says the Panamanian reached for a weapon."

The wounded policeman said Tuesday that he had done nothing to provoke the incident. Reuters reported from Panama City, "At no time did I make a movement of provocation." Cesar Tejada said from his hospital bed, "Not anything in that fashion — nothing."

Mr. Williams said that U.S. officials are "proceeding with caution" as they go about their duties, but "We remain concerned about the situation in Panama."



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## Shuttle Launch Is Delayed

New York Times Service

**CAPE CANAVERAL, Florida** — Continuing problems with launching pad equipment, combined with the approach of the holidays, have forced a postponement of the next space shuttle mission until at least Jan. 8, the space agency announced Monday.

It was the second delay for the shuttle Columbia, which had been rescheduled to lift off on Dec. 21 on a 10-day mission to deploy a military communication satellite and retrieve a test satellite that has been in orbit since 1984.

Karl Kristofferson, the spokesman for the Kennedy Space Center, said technicians needed more time to complete "validation work" on Pad 39A, which has recently undergone a two-year, \$50 million refurbishment. The pad has not been used for a launching since January 1986.

The work has taken longer than expected, especially the preparation of fuel loading systems. Checks of the pad have turned up several small leaks, cracked valves


and other relatively minor problems.

The decision to postpone the launch until Jan. 8 was made by shuttle managers after it became apparent that they could not make the Dec. 21 launching date and might face further delays extending through the Christmas weekend. Mission officials said the delay should have no effect on plans for a complex maneuver with the satellite, called the Long Duration Exposure Facility, that is to be retrieved.

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## Full Security Still Unsure at 'High-Risk' Foreign Airports

By John H. Cushman Jr.

New York Times Service

WASHINGTON — Tighter aviation security rules ordered after the bombing of Pan Am Flight 103 a year ago have been slow to take hold, a special commission investigating the bombing has been told.

The General Accounting Office made public a report concluding that the Federal Aviation Administration "cannot be assured that currently required procedures are being properly carried out by airlines at designated high-risk foreign airports."

Some of the procedures, including interrogation of passengers and close examination of baggage, were ordered immediately after the bomb exploded on Flight 103 over Lockerbie, Scotland.

Others, including the scrutiny of electronic goods like radios that might be bombs in disguise, were ordered more recently.

The General Accounting Office, the investigative arm of Congress, was especially critical of the training received by airline security guards at foreign airports. Although the agency has begun a program to monitor the security provided by foreign governments at foreign airports, no program is in place to ensure that employees of U.S. airlines in those cities are properly trained, the accounting office said.

Kenneth M. Mead, director of transportation issues at the accounting office, told the President's Commission on Aviation Security and Terrorism that the Federal Aviation Administration, which

enforces aviation security rules, "is trying to come to grips with the problems."

But he added, "The ship is not one that can be turned around overnight."

As the commission, established by Congress and with its members appointed by the president, met for its second time Monday, the atmosphere was charged with lingering anger at the Federal Aviation Administration over the bombing, in which 270 people died.

Senator Alfonse D'Amato, Republican of New York, who is a member of the commission, said that "one would have to say" that the Federal Aviation Administration "and the present system have flunked."

In testimony and in written reports to the commission, the aviation agency

cited several measures planned in response to the bombing that have not been quickly accomplished.

The agency has been unable to send additional security specialists to some airports in Europe, Africa and the Middle East, in part because of resistance from local governments.

Temporary personnel have been assigned to Frankfurt, where Flight 103 originated, and to London, where it stopped en route to New York before the bomb exploded. But the State Department has been unable to secure permission for specialists to be stationed in several other cities, including Paris, Zurich and Cairo.

Installation of new bomb detectors is falling behind schedule. For example, the

installation of a machine at Gatwick Airport outside London has been delayed until January at the earliest because of legal and technical concerns raised by the British Airport Authority. The machines, known as thermal neutron analysis devices, can detect plastic explosives that are invisible on X-rays. Because the machines have radioactive components, there has been resistance to their use.

Fewer than half of all foreign airlines are operating under security plans approved by the aviation agency, despite a rule requiring foreign airlines to gain approval for their security plans by last September in order to fly into American cities. Although 134 airlines have filed plans, only 52 of them have been approved so far.

## Doctored Drinks Linked to Crimes Against Tourists in Spain

By Barry James

International Herald Tribune

Spanish policemen, with the help of Interpol, are investigating a spate of robberies and possible murders in which criminals gave foreign tourists doctored drinks and then stole their possessions.

The family of an American hitchhiker who disappeared in southern Spain a year ago say they fear he may have been murdered in the course of such an attack.

At least six other Americans were robbed in such circumstances, around the time that the American, Steve Juggert of Orange County, California, was last heard from. His travelers' checks were cashed with forged signatures.

Diplomats said Spaniards and tourists of several other nationalities appeared to have been victimized by the gang or gangs.

Most of the crimes were along the Costa del Sol. Two young Spaniards disappeared in the Málaga area and a British tourist, in his 20s,

was found dead in a hotel room near Málaga in November last year from what were believed to be the effects of a doctored drink. Another Briton and an Egyptian were arrested soon afterward.

The police in Málaga arrested two German citizens for questioning last month about the death of another German in April and have since been trying to establish whether the suspects had anything to do with the disappearance of Mr. Juggert, according to officials familiar with the case.

In Washington, a spokesman for the State Department said two other men had been arrested in West Germany for questioning about attacks on tourists.

Greg Gadowski, 33, a photographer from the San Francisco area, said he was given a spiked glass of wine by two German speakers from whom he hitched a ride at Algeciras in southern Spain on Dec. 13 last year.

"Two small sips and that is the last thing I remember," he said in a telephone interview. "When I woke up, it turned out to be 19 hours later and I was lying in a concrete drainage culvert. They had taken everything except the clothes I was wearing."

The Málaga police have asked the U.S. Embassy in Madrid to reach Mr. Gadowski and the other Americans who reported being robbed to see whether they can

identify the arrested Germans or any of the goods found in their possession.

Robert A. Oppermann, Mr. Juggert's brother-in-law, said in a telephone interview from La Haba, California, that the missing man went to Spain with \$1,500, planning to hitch-hike around Europe and the Middle East for a year or until his money ran out. He had just lost his job as a salesman of heavy industrial equipment and was hoping to make a new career as a writer.

He left Madrid on Dec. 7 last year and set off south, camping along the way. He mailed a letter to his parents from Cazorla in southwestern Spain on Dec. 19 and cashed a

\$100 traveler's check in Mojácar the following day.

On Dec. 22, he telephoned his parents from an unknown place, wishing them a merry Christmas and promising to write again soon. Mr. Juggert has never been heard from again.

The parents contacted the State Department in May and were only slightly consoled to be told that Mr. Juggert had probably forgotten to write home. Eventually, the family got hold of Mr. Juggert's travelers' checks. Only two had been signed by him.

The rest, worth \$1,300, bore forged signatures and had been cashed through a bank in Huelva, in southwestern Spain, on Dec. 22.

This led the family to file a formal missing persons report with the police in La Haba on Aug. 26.

"Perhaps he lost his memory," said Mr. Oppermann. "That I think is our only hope unless we all misjudged him, and he's out there somewhere having a good time. But that would be so unlike him."

Mr. Gadowski said the men who gave him a lift appeared to be about 30, claimed to be Austrians and spoke excellent English. One of them wore a San Francisco Giants baseball cap. They were driving a brand-new, bright red car.

"They seemed really friendly and in a party mood," he said. "So when they opened up the wine I wasn't surprised."



New 10-foot gates now mark the entrance to Downing street.

### Amid Security Concerns, Barriers Are Installed on Downing Street

Reuters

LONDON — Workmen began installing tall iron gates on Tuesday outside Prime Minister Margaret Thatcher's London home and office at No. 10 Downing Street in response to security concerns, her spokesman said.

"They will be up before Christmas," the spokesman said. "They are there for security reasons."

Downing Street, between the Houses of Parliament and Trafalgar Square, has been closed to tourists for years. Low metal barriers at the entrance to the street are moved aside by the police when official visitors call.

The spokesman said the 10-foot (3-meter) iron gates were more attractive than "the low and scruffy-looking barriers" and would blend in with the government buildings in the area.

Concern about Mrs. Thatcher's safety was heightened last year when the police discovered her name at the top of an Irish Republican Army assassination list in a London apartment used by the guerrilla group to make bombs.

The IRA, fighting to oust Britain from Northern Ireland, tried to kill Mrs. Thatcher in 1984 when it blew up a hotel in southern England during a conference of her Conservative Party. Five persons were killed, but Mrs. Thatcher was unharmed.

### Walesa Leaves Moscow Without Kremlin Visit

Reuters

MOSCOW — The Solidarity leader, Lech Walesa, left Moscow on Tuesday without seeing President Mikhail S. Gorbachev, but Polish sources said such a meeting had not been planned.

Mr. Walesa, who flew to Moscow for the funeral of Andrei D. Sakharov, departed after speaking with Soviet journalists at the Polish Embassy.

## Another Top Drug Figure Identified Among Dead After Colombia Battle

United Press International

BOGOTA — A man slain last week at the side of the cocaine trafficker José Gonzalo Rodríguez Gacha has been identified as one of the secondary leaders of the powerful Medellín cocaine ring, the police said Tuesday.

Authorities said they initially believed that the man was one of the bodyguards killed during a gun battle with the police. But Luz María Caladea, the wife of Mr. Rodríguez Gacha, identified the body as that of Gilberto Rendón Hurtado, the No. 8 man in the Medellín cartel.

Mr. Rendón Hurtado had been sought for extradition to the United States, but was not among the 12

leading traffickers wanted by the U.S. government.

Mr. Rodríguez Gacha, the No. 2 man in the Medellín ring, and six others were killed in a battle with the police on Friday when they tried to shoot their way out of a police ambush on a ranch. Mr. Rodríguez Gacha, his son Freddy, Mr. Rendón Hurtado and four bodyguards were killed in the shootout.

The authorities continued to search Tuesday for about 30 gunmen who had been protecting Mr. Rodríguez Gacha.

The police said all was calm in Pachó, northwest of the capital, where Mr. Rodríguez Gacha and his son were buried Sunday.

The slaying of Mr. Rodríguez Gacha was the first major victory for the government in its battle against the drug barons. President Virgilio Barco Vargas launched an offensive on the cocaine rings in August after a series of drug-related assassinations.

Argentina, meanwhile, has become the latest country to provide assistance to the Colombian government in its war against the cocaine rings.

Vice President Eduardo Alberto Duhalde officially handed over three Argentine-made Pucara warplanes to Mr. Barco in a ceremony at Catam military airport in Bogotá.

## Jordan Suspends Martial Law Rules

The Associated Press

AMMAN, Jordan — Prime Minister Mudar Badran declared Tuesday in parliament that his government will lift martial law, which for 72 years has banned large public meetings and allowed the authorities to restrict freedom of speech.

Mr. Badran, seeking a vote of confidence from the newly elected legislature, added that until martial law was formally revoked, most of its provisions would be "frozen," effective immediately.

### Streaker in Bonn Shot At U.S. Envoy's House

Reuters

BONN — A naked man ran through the streets of Bonn on Tuesday and was shot and wounded when he tried to force his way into the U.S. ambassador's residence.

Police said that a 25-year-old Senegalese-born Frenchman, after having had an argument with a West German companion, peeled off his clothes and ran through the streets. After unsuccessfully trying to rob an elderly woman, he climbed over a wall and into the garden of the U.S. envoy, Vernon A. Walters. A guard shot the man in the leg as he ran up the steps to the residence.

### Italy and Kenya to Chair Ethiopian Peace Talks

The Associated Press

ROME — Italy and Kenya will preside at peace talks aimed at ending a 14-year conflict between Ethiopia and rebels in the northern province of Tigre, the Foreign Ministry announced Tuesday.

The Italian government, which has been hosting preliminary talks on procedural matters, appealed to both sides to allow humanitarian aid to reach the population suffering from years of war and drought.

He also said that his administration would crack down on corruption by public officials and criticized former governments for deficit spending that swelled the \$8.3 billion foreign debt.

Under martial law, which King Hussein imposed after the 1967 Arab-Israeli war, the authorities can close newspapers at any time, effectively inhibiting free criticism of officials. It also provides for special courts.

Most candidates in the general elections last month called for the lifting of martial law. Many asked that political parties be legalized.

Mr. Badran said a constitutional court would be formed to secure citizens' rights as stipulated by the constitution.

He lifted legal immunity from government officials, and said he would propose legislation requiring an official to present a "comprehensive and documented report of all his possessions."

The financial disclosure requirement was aimed at ensuring the integrity of public officials. The government of Prime Minister Zaid Rifai, which resigned earlier this year after major riots in the country, was accused of corruption.

The largest bloc in the new lower house is made up of Islamic fundamentalists or their supporters.

"I announce in this parliament that martial law is now considered frozen," Mr. Badran said, until "such laws are constitutionally abolished in the near future."

The announcement was the latest in a series of moves toward democracy and liberalization announced by King Hussein and by Mr. Badran's government.

The lower house has to approve all laws and has the power to dismiss prime ministers and their cabinets. Still, King Hussein can block any laws in the Senate, the members of which he appoints, or through a veto. He frequently has used his power to dissolve parliament and rule by decree.

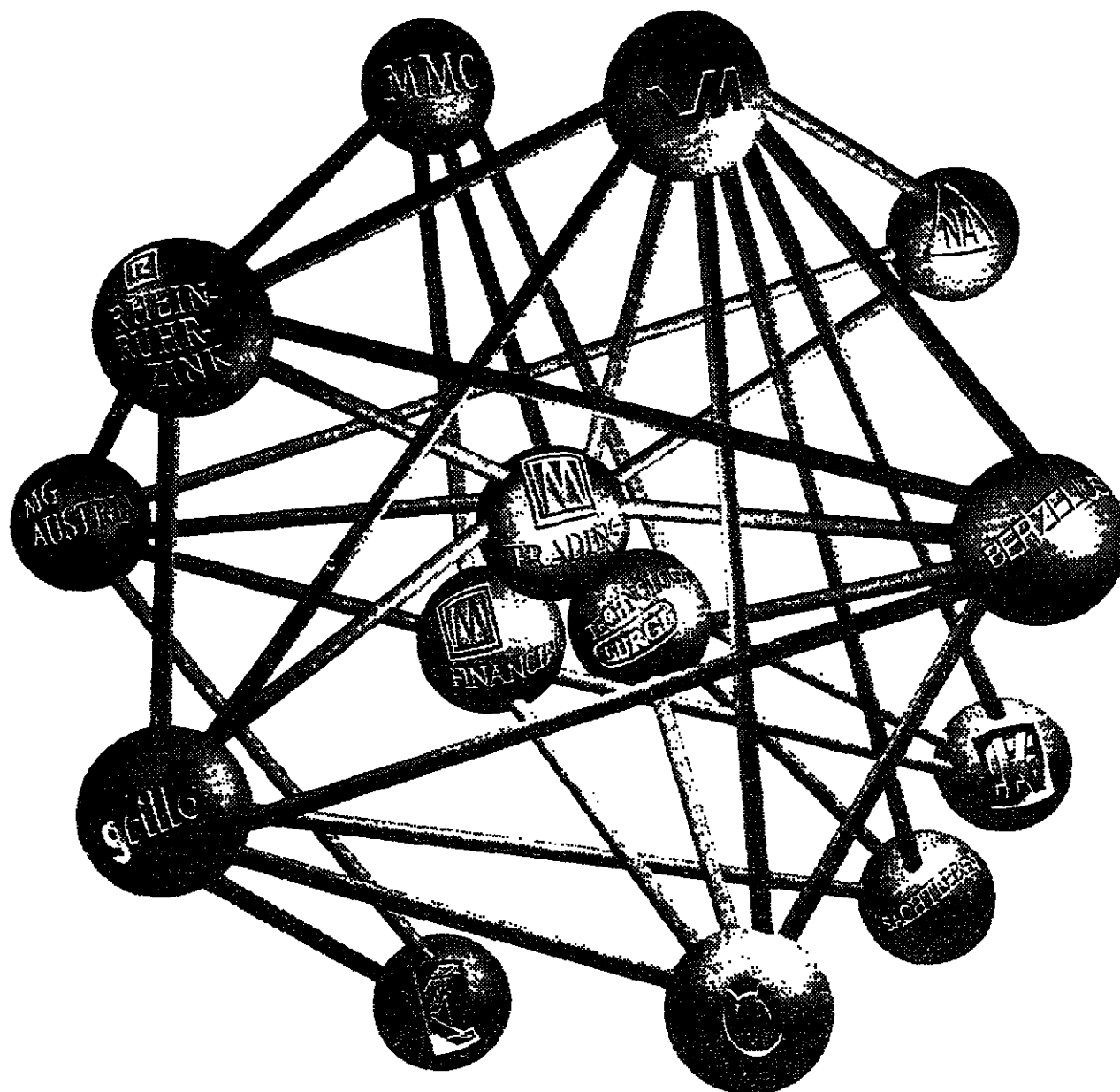
Last month, King Hussein pledged a "gradual reduction" in the activities of the martial law courts and said their responsibilities would be transferred to civil courts.

On Dec. 10, Mr. Badran announced that his government would return confiscated passports. He also promised further amnesties for political prisoners.

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# Herald Tribune

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## Defense Cuts Where?

President George Bush needs to make a stronger case than he has made so far for the intrinsically awkward position he is in the process of taking on defense. Next month he must submit a 1991 defense budget in the midst of change so enormous that no one can tell what America's future defense needs may be. There is pressure to cut but not yet a clear basis for deciding how much or how. The need is to temporize, but at \$300 billion a year for defense — after nine years of pressure on domestic programs, and with the Soviet threat seeming to recede with the daily news — that is hard to do.

Having acquiesced in most of the defense buildup during the Reagan years, Congress now wants to shift some money back to domestic programs that were shorted. Its desires are fed by news accounts of the administration's own contingency planning and all the money that some contingencies could make available. The administration is nonetheless urging that Congress go slowly. It is hard to know what the status and posture of the disintegrating Soviet empire will be in a week, much less a year or two, and officials are fearful of backing off from the current defense program prematurely or wrong part first. Nor do they want to see a resurgence of domestic spending that would perpetuate or increase the deficit.

Both of these cautious and unimpassioned positions are right. The defense dividend in even the most favorable of circumstances over the next few years will be smaller than much current rhetoric suggests, and the social and fiscal deficits the country faces

have to be reduced together. But the president needs to do more in the next few months than just say no. It is not so much the "vision thing" that is called for as it is a persuasive argument about how to behave in a time of transition.

In the past few days the chairman of both congressional armed services committees have separately warned the administration that it risks a loss of control if it fails to present such an argument. Sam Nunn and Les Aspin will have the task of managing next year's defense bill in Congress. These veteran Democrats want no more than the president to cut the received defense program too hastily or too much. But neither do they want to be asked to support a dinosaur.

Thus Senator Nunn reproached defense officials at a hearing for having failed to factor into the forthcoming budget new intelligence estimates of the increased warning time that the allies would have in the case of a Soviet attack in Europe. "What are you going to base the reduction on if you're not changing your threat assessment?" he asked, warning that without such an underpinning the budget process "becomes misleading and what flows from it loses credibility." Representative Aspin made a similar point in a speech to a defense industry group, observing that, for lack of an interim strategy to support it, "the defense budget is now in a political free fall." There's a little hyperbole in that, but basically Mr. Aspin is right, and that is what for fiscal as well as security reasons the president must now combat.

— THE WASHINGTON POST.

## The Blame Is Shared

A chorus of angry, righteous protests have been stirred by Britain's hard-boiled decision to forcibly bound 51 Vietnamese boat people onto planes bound from Hong Kong to Hanoi. Governments, relief agencies, the European Parliament and now Pope John Paul II have joined in denouncing what is plainly an inhumane act. Although Prime Minister Margaret Thatcher insists that the policy stands, the outcry has elicited a seasonal concession — no more deportations until after the Christmas holidays.

Those who criticize Mrs. Thatcher have not squarely addressed certain awkward realities in a poignant human tragedy. Most of the Hong Kong refugees have been driven from North Vietnam as much by poverty as by an oppressive political system. And the British are not wholly wrong in asserting that the exodus will continue as long as Vietnamese face hunger and joblessness at home.

The United States condemns forcible return as "odious" but won't provide homes for the boat people or lift a finger to change the conditions that impel them to flee. This moralism smacks of hypocrisy.

When Vietnam invaded Cambodia in 1978, the United States responded with a total embargo that sharply curtailed Hanoi's exports of raw material. Successive

administrations set several conditions for ending the embargo and establishing ties with Hanoi. They included withdrawal from Cambodia and progress on finding 2,500 U.S. servicemen still listed as missing in action in Indochina.

In September, Vietnam completed its withdrawal. Progress has been made on the MIAs. Washington now says this is not enough. It wants Hanoi to support a Cambodia policy that few can understand, much less defend. That policy would force Hanoi's allies in Cambodia to share power with the mass-murdering Khmer Rouge. Vietnam has refused, and as punishment its application for an IMF loan has been blocked by the United States.

Two courses are open to President George Bush if he is to give moral and political content to American preaching about the boat people. He can take the lead in urging industrial countries to provide a home for all 50,000 refugees now in Hong Kong camps. And he can lift the U.S. veto on lending to Vietnam, whose wretched conditions are partly the result of economic sanctions. Otherwise, Mrs. Thatcher can with some justice dismiss U.S. objections to British policy as the irrelevant mutterings of Uncle Humbug.

— THE NEW YORK TIMES.

## A Reckless Course

Just last week, General Manuel Antonio Noriega, already the supreme ruler of Panama, had himself named head of government and "maximum leader for national liberation" by his personally appointed legislature, which went on to pronounce the country to be in a "state of war" with the United States. Why would he find it in his interest to ratchet up a challenge to a foreign power that has, after all, an impeccable legal position in Panama, a strong diplomatic position and a considerable military position? It seems a typical case of a dictator who generates a sense of hysteria and national besiegement to rally people around, but perhaps there is more. The weekend's shooting incidents do not merely confirm his irresponsibility. They pose an apparently deliberate provocation to an American presence that is firmly rooted in treaties between the Panamanian and U.S. governments, and they force the question of whether General Noriega is bent on invalidating those treaties.

Up to now, his misrule has been a matter of extreme distaste and discomfort, but it has been abided, in the sense that Washington has not brought its full resources to bear in the name of the canal treaties. These were thought to represent the vital U.S. interest in

keeping the canal open and working, and in being seen by other Latins to be respectful of Panama. All this is still so. But General Noriega is casting doubt on whether his government, which is his personal vessel but which is the government, still believes that those treaties should guide Panamanian-U.S. affairs. Successive U.S. administrations have respected their terms meticulously.

General Noriega is elevating his personal privileges over his country's solemn obligations. The emergence of a corrupt, undemocratic leadership of this sort is a nightmare that the treaties were meant to dispel. In other circumstances, it might be best for the United States to take the high ground and wait the unpleasantness out. But General Noriega's consolidation of power and the violent and brutish ways in which he is milking Panamanian nationalism demonstrably threaten the lives and welfare of Americans and possibly threaten not simply the continued safe operation of the canal but the integrity of the treaties. General Noriega is pushing events down a road full of grave mutual uncertainties and dangers. Has he so isolated himself in vainglory that there is no one who can warn him off?

— THE WASHINGTON POST.

## Other Comment

### End of Asia's Beginning

Asia's growth rates through the 1970s, by any measure, were astounding. Through years in which headline writers reveled in trauma and trouble, Asian economies were on a roll, shooting the moon on new industries and manufacturing while making the most of traditional mainstays in agriculture and commodities. It's been business as usual in the '80s, despite the decade having begun to the dirges of the doomsayers: recession, slowdown, the bubble bursting. No such thing. All that happened was that Asia's booster rockets fell away. The trajectory of growth was maintained, less giddily but upward still. This has been a decade of consolidation — a time to catch breath and take a look out the windows now that the G-forces of lift-off have abated somewhat. The view's not bad. The triumph of the marketplace is all but complete, save in the maddening anachronism that is China —

tellingly, one of Asia's worst performers in terms of per capita income of the past 10 years. Other sad stories — the Philippines, Burma, Indochina — testify to years of upheaval unrelieved by transformation. But the lesson of the past 30 years is that political uncertainty need not constrain economic growth. Asia's economy, overall, is more than twice as big as a decade ago. That is cause for optimism, but not for complacency. The '90s may mark the axiom that economic development is not an end in itself but a means to ease the insecurities of an imperfect world. The motto to succeed, as Asia well knows, is forged in the need to survive.

— Asiaweek (Hong Kong).

### Do as I Say, Not as I Do

Comrade Gorbachev has determined that multiparty democracy is good for all Communist countries but his.

— Dan Berger, The Baltimore Evening Sun.

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## OPINION



## The Pickings Were Great but the Party's Over

By Alexander MacLeod

LONDON — The more we learn about the corruption of East Germany's old guard, the clearer it becomes that what lay at the root of their resistance to change was fear of exposure.

That the regime was corrupt is no surprise. There is ample evidence from Soviet sources that in economies in which authority is exerted from the center, baksheesh is rampant. What is remarkable in the East German case is the magnitude of the financial pillage.

For them to have salted away up to \$50 billion in numbered bank accounts, as has been suggested, means that they were in the Ferdinand Marcos league of financial skulduggery. But where the late president of the Philippines appears to have merely lusted for wealth, the motives of East Germany's leaders were more complex.

It is tempting to explain their conduct by placing it in historical context — to recall, for example, that corruption took root among the Tsars, providing czarist Russia and its Soviet heirs with patterns of conduct which were adopted by the rulers of Moscow's satellites. Nazis like Hermann Göring used their power to feather their nests.

But such parallels with the past do not fully explain what has been happening in Eastern Europe. Twin themes are beginning to emerge: the effects of bureaucracy and of insecurity.

Mikhail Heller in his book "Cogs in the Soviet Wheel" argues that the only way to make a centralized economy work is to build bribery into the system. "In the totalitarian state to which everything belongs," he writes, "corruption has assumed a totalitarian character."

Until now, the best documented case of corruption within the Soviet system (details from East Germany, when they emerge fully, promise to eclipse it) has been provided by the secret files of the Communist Party of Azerbaijan that were opened to public scrutiny in the late 1960s. Every job and favor had its price.

Erich Honecker's comrades, sitting atop an economy that was rich by Communist standards, must have been able to exploit the system to an almost exponential degree. But a wish to live as high as possible on the hog's back does not completely explain the East German leadership's urge to accumulate riches. Down the years, Communist leaders' fears that the rug might be pulled from under them at any moment have never been far from the surface.

Boris Bazhanov, Stalin's secretary, recounted that in 1923 he learned of the existence of a "diamond stock" to give members of the Politburo the means of livelihood if ever they lost power.

In 1945, Lidia Shostakovskaya, the wife of a salaried Bolshevik academic, asked the chairman of the state planning agency, Gosplan, why he went in for black marketeering on a large scale. He replied: "You don't understand the position we are in for a day."

Alexander Schalck-Goludkowski, East Germany's former foreign trade chief, who surrendered to the authorities in West Berlin after his government asked for international assistance in

tracking him down, is said to have helped his colleagues both to gratify their desire for a good life and to soothe their insecurity by arranging kickbacks on a grand scale.

One is reminded of Lord Acton's adage that power tends to corrupt and that absolute power corrupts absolutely. In the case of Eastern Europe, steadily waning enthusiasm for Marxist-Leninist dogma and its replacement by political pragmatism have surely encouraged party officials to become more acquisitive. The availability of hard currency in the shape of foreign credits created objects of irresistible desire.

While the leaders of the German Democratic Republic were delving deep into state coffers, neighboring regimes, too, must have been assiduous in their attempts to rip off the system.

We know that in Poland in 1981, for instance, more than 3,000 party officials were expelled for corruption. During the 1968 "Prague Spring" in Czechoslovakia, President Antonin Novotny was accused of having handed senior party officials an envelope each month containing bank notes, the amounts varying according to the officials' loyalty rating.

In Romania, President Nicolae Ceausescu's regime, which is dominated by members of his family, is assumed to be extremely corrupt. This would help to explain why the dictator is refusing to give an inch to demands for political change.

The writer, a London-based journalist, is moderator of the BBC program "The World Tonight." He contributed this comment to the Herald Tribune.

## American Leadership: The Price Looks Bearable

By Paul Volcker

The writer was chairman of the U.S. Federal Reserve from 1979 to 1987. This is the second of two articles.

NEW YORK — There is no shortage of challenges for America's public servants. Let me suggest a few areas where strong and understanding leadership is needed.

In dealing with the changes in Eastern Europe and the Soviet Union, the broad approach taken by President George Bush seems to me entirely appropriate. Things are evolving with their own momentum quite constructively. The Soviets and East Europeans ought to have the feeling that it is their own process — not one pushed by the United States in a way that might arouse resentment or suspicion.

I don't think assistance should be pushed upon them when they are not ready to use it effectively. But I also think that opportunities will arise where America should move more forcefully. I was briefly in Poland two weeks ago. That surely doesn't make me an expert, but I could not help but be impressed by the boldness of the Polish leadership and the speed at which they want to move from a centrally controlled to a market economy. They have enormous problems, but also an equally enormous appetite for change.

When President Bush visited Poland last summer he proposed a \$119 million U.S. contribution to an aid program, explaining that this was all America could afford. To me, that's the wrong premise. Surely there are limits as to what the Poles can use effectively, and we don't want to waste

money. Over time, private trade and investment will do more to generate growth than public funds. But, surely, at a critical time for Polish stability and democracy, \$100 million or so can't be a reasonable measure of what America can "afford."

I happened to be traveling to Aspen, Colorado, to make a speech the day after the president made his commitment. On the way, I read some ads for Aspen real estate in the airplane. As I read them to my audience, apparently the limit of what Americans could afford in defense of Polish democracy was equivalent to the cost of about 30 luxury houses in Aspen.

It's a question of attitude, not of economics. You can afford what you think you really need — within limits. And I don't think the United States has reached those limits. Happily, that seems now to be recognized.

And shouldn't we apply a fraction of the reformist zeal now at work in Warsaw and Prague to our own evident problems at home? You can't live in New York City without being aware of a crumbling infrastructure.

It is not unique to New York. You can see it in many urban areas. What we need is renewal, in the simplest sense — taking care of our roads and

bridges, our sewage and our garbage. If you live in the urban United States you also cannot help but observe an underclass without skills, or self-discipline or education. There must be an opportunity there — to find a way to use better the people who need jobs to do the work that needs to be done. We seem to be a long way from finding the answers.

Part of it may again be what we think we can afford — in the face of the obvious loss of billions of dollars in loss of work, in welfare and in crime. But surely it is not only maybe not primarily — a matter of money. Somehow, underneath it all, there must be a question of motivation and challenge for the new generation.

The 1980s have seen an enormous expansion in financial activity of all kinds, with rewards that seemed unimaginable only a few years ago. A lot of our best and brightest went to Wall Street. But that could only be a narrow segment of our young people — and even for many of them, there have been plenty of unresolved questions about all the implications of the short-term rewards and short-term perspectives of financial markets.

Now I sense some hopeful signs that attitudes are beginning to change — maybe because the problems are too evident to ignore, and maybe partly because the boom in financial activity has itself left a lot of debris. But new initiatives keep getting stymied, most of all by the budgetary gridlock.

There is no question that the deficit is a serious issue. What makes it hard to handle is that our savings are so low — at the bottom of the international league even though we are in a prosperous period. One result is that the amount of our own money available for new investment is squeezed.

We have become dependent on — really addicted to — foreign capital to finance our investment and our spending. The irony is that we get uneasy, to say the least, when we see one symbol of American enterprise and culture after another sold abroad.

Now that I am a private investment banker, I see firsthand the consequences of our low savings, big deficit and high cost of capital.

When a businessman has something to sell — land, or a building, or a company — he wants to make sure that potential Japanese buyers are solicited. Why? Because, with their high savings, low interest rates and high stock prices, their cost of capital is much lower — and they pay top dollar. That isn't Japan's fault; it is not going to change unless we have a better financial balance at home.

It comes down to political choices. It doesn't take big rises in income tax rates, or necessarily any rise in income tax rates. It doesn't require crippling cuts in entitlements. We could try some sort of value-added tax or consumption tax as other countries have. But right now, with prospects good

that defense spending can be reduced consistent with security, I don't think we'll need to resort to any of these extreme measures. If defense spending is leveled off in nominal terms (and thus reduced annually in real terms) within a few years, a lot of budget resources should be released.

A combination of other seemingly reasonable steps should be feasible. I have supported a big increase in the gasoline tax and in cigarette and liquor taxes. After all, conserving gas and taxing our addictions can't be all bad. And we shouldn't rely on taxes to do the job alone. We could tighten up on entitlements and cut down on some other programs.

The answer to these proposals is always that it's just not possible — politically. But I doubt that the question has been put the right way. I wish we could ask directly whether an effective drug program is worth 5 cents — if really needed, even 10 cents — added to the price of a gallon of gas, or whether Eastern Europe isn't worth 50 cents on a fifth.

America's problem in 1989, in fiscal policy and in too many other areas, is that we have been stuck in not doing anything at all. So far, that has not resulted in a financial crisis. But it does seem to me to pose a more profound question.

Are Americans willing to continue, in this bright new world, to step up to the responsibilities of leadership at home and abroad? Sure, it will cost something. Equally sure, the costs are within our capacity. It is the costs of withdrawal from leadership that are truly incalculable.

Mr. Volcker is chairman of James D. Wolfensohn Inc., an investment banking firm, and a professor of international economics at Princeton University. He contributed this comment to The Washington Post.

## 100, 75 AND 50 YEARS AGO

### 1889: Hypnosis in Court

BERLIN — The German Medical Gazette states that a student at Helsingborg recently used a physician there for having hypnotized him against his will. At the hearing of the case the other day various witnesses for the plaintiff behaved in a most extraordinary manner, their testimony being utterly nonsensical. The Court became quite bewildered and great confusion prevailed until it became apparent that the witnesses were being hypnotized by one of the counsel engaged in the case who made them say whatever he liked.

### 1914: Censors' Vacation

LONDON — The rigors of war have cut deep in the Official Press Bureau. The work of denaturing the news has been so arduous that five o'clock tea has had to give way before it, and the censors have even had to forego that inexpressible thing called the "week-end." The Censors have submitted to

## Immigrants To Europe: Walls Up?

By Giles Merritt

MARSEILLE — Is it possible that within a few years waves of North African "boat people" will be landing on Europe's southern shores? And that the piteous scenes of forced repatriation of Vietnamese now being played out in Hong Kong will have become a daily occurrence in Europe? Alas, this picture is less far-fetched than one would like to think.

In the next 30 years or so the population of the countries along the southern and eastern Mediterranean is forecast to grow by 200 million, bringing it to more than half a billion people. Some of North Africa's cities will become as huge and unmanageable as Cairo, and living standards will plummet as the birthrate soars. Even today, the North African countries cannot cope with their worsening unemployment problem, so the most likely solution for them will be to export it.

To keep employment at its present level — and, by extension, to keep the forces of Islamic fundamentalism at bay — the North Africans need economic growth rates of from 6 to 9 percent, instead of the 3 to 4 percent they now achieve. Like developing states everywhere, they are weighed down by debt repayments, and the chances are increasingly slim that they will be able to create the 25 million extra jobs needed by the turn of the century to head off serious social and political unrest.

Whether Europeans will permit any further surges in immigration is, however, far from clear. The latest opinion polls in France, where there are now reckoned to be about 5 million immigrants, indicate that two-thirds of the French feel that immigration has reached its limit.

There are about 15 million registered immigrants living in continental Europe. Experts say that as a rule of thumb for every two legal immigrants there is a third, illegal one. That brings the total to somewhere around 22 million people, roughly equal to the population of Scandinavia or the Benelux countries.

The European Community, meanwhile, has no policy on immigration. No doubt that is because it is such a political hot potato. But the approach of 1992, and its guarantee of free movement of people as well as goods, means that an EC-level immigration pact cannot be long delayed. If a host government will be admitting immigrants into not just its own country but also its 11 Community partners, some common criteria have to be established.

Any EC immigration policy needs to go much further than setting common admission rules. It also needs to face squarely the fact that clandestine immigration is a scandal that must be brought to an end. The immigrants are the chief victims of the complicity between employers and local authorities who turn a blind eye. The employers enjoy the bonus of cheap labor that can be hired and fired at will, while the authorities are saved the expense of helping to house and educate people who officially do not exist.

In a recent survey on behalf of the EC Commission and the European Parliament, four-fifths of respondents disapproved of racist movements, three-quarters said they wanted immigrants' rights improved and half said the presence of immigrants in their country was "a positive factor." Only a third of those interviewed throughout the EC said there were too many foreigners in their country.

These findings suggest that European society would strongly support a Community-wide immigration policy that tackled issues like education and housing and ensured that the benefits of the EC's much trumpeted "Social Europe" were extended to all.

A major obstacle in drawing up an immigration policy would seem to be the attitudes of North Africans. At a conference organized in Marseille on Dec. 11 and 12 by Aspen Institute Italia to discuss European-North African issues, many of the North African participants appeared loath to admit that immigration was a problem. Their message was that tensions would be defused if Europeans strove harder to appreciate the cultural background of North African immigrants.

If the Maghreb countries want to have a hand in shaping future EC policies concerning immigration, they must first recognize that a problem exists. That in turn means that they must address themselves much more resolutely to the question of their alarmingly high birthrate. Unless the governments of North Africa can show that they, too, are concerned, they sooner or later risk seeing immigration quotas imposed on them.

International Herald Tribune

### 1939: Soviet Advance

COPENHAGEN — The Soviet drive in the Arctic south from Petsamo has given Russia a temporary frontier of 300 kilometers with Norway and is causing general concern in the Scandinavian countries. The Russians are using tanks in their advance, and the main advance is along the Arctic Way. The Reds carry movable buses in which they camp at night. The Finns are retreating in orderly manner and harassing the enemy by guerrilla tactics.



## OPINION

## Let Moscow Tell the World That Zionism Isn't Racism

By A. M. Rosenthal

NEW YORK — On Nov. 10, 1975, the General Assembly of the United Nations adopted an Arab-inspired resolution defining Zionism as a "form of racism and racial discrimination." The vote was 72 to 35 with 32 abstentions.

After the vote the Israeli delegate, Chaim Herzog, said it was fitting that the resolution had been adopted at the time of the anniversary of Kristallnacht. He said Hitler would have been at home in the United Nations during the debate. Daniel Moynihan, the delegate of the United States, rose to say the United States would never "acquiesce in this infamous act."

Fourteen years and one month later, Vice President Dan Quayle stood be-

fore an audience at a Jewish university, Yeshiva in New York, to announce and begin a political and diplomatic crusade to repeal that resolution.

The campaign will last at least a year. It will take much time to get the full weight of the Congress of the United States and the American public behind it, fight for international support and count capitals to see if a repeal resolution can win at the United Nations.

In the end it may not work. The support of the Soviet Union, which voted for the original resolution, is needed to help win Third World votes for repeal. Moscow has refused.

Mr. Quayle stated the purposes of that resolution with simple, honest directness: "It is a diamond in the murky fields of diplomacy."

"First, to delegitimize the state of Israel and lay the groundwork for its expulsion from the United Nations and the world community."

"Second, to provide anti-Semitism with a thin disguise as anti-Zionism — with the appearance of international approval and respectability."

Israel still stands. Mr. Herzog is its president. But every year there is a nasty

United Nations ritual of trying to expel her. It fails largely because the United States has said it would leave the United Nations if Israel were thrown out.

Mr. Quayle also said the promotion of anti-Semitism under the guise of attacking Zionism, a synonym for a Jewish homeland, was faltering. From his mouth to God's ear — but that is not really so.

Every Israel-hating government, every anti-Semite in office around the world has used that resolution to spread fear of Jews among their own people and, more important, among people who never saw a Jew and hardly ever heard of Jews before.

To hundreds of millions of people, "Zionism" is a curse word meaning exploitation and contempt for people exactly like themselves — black, brown, Latin, Oriental or just newly independent.

Through constant, obsessive, vicious Zionism-is-racism propaganda wrapped in a United Nations cloak, racists and Jews were connected in the minds of people all over the world — and still are.

Mr. Quayle said "new thinking" in the Soviet Union was beginning to move away from anti-Zionism. But that was before the Soviet delegate said a repeal movement would just cause trouble and "we have no need for this kind of thing."

Maybe somebody in the Soviet Foreign Office looked up the Soviet-Syrian Friendship Treaty of 1979 and found that it calls on both parties to struggle against a linked chain of evils — racism, imperialism and Zionism.

Perhaps Moscow will think it over during the year ahead.

In the meantime, there are a couple of things the Soviet government might do to repair a little of the damage caused by the 1975 resolution and the years of hate propaganda it officially encouraged.

Michael Gorbachev did not hesitate to tell opponents on the left like Andrei Sakharov to sit down and be quiet. He might do the same for organized Soviet anti-Semites on the political right.

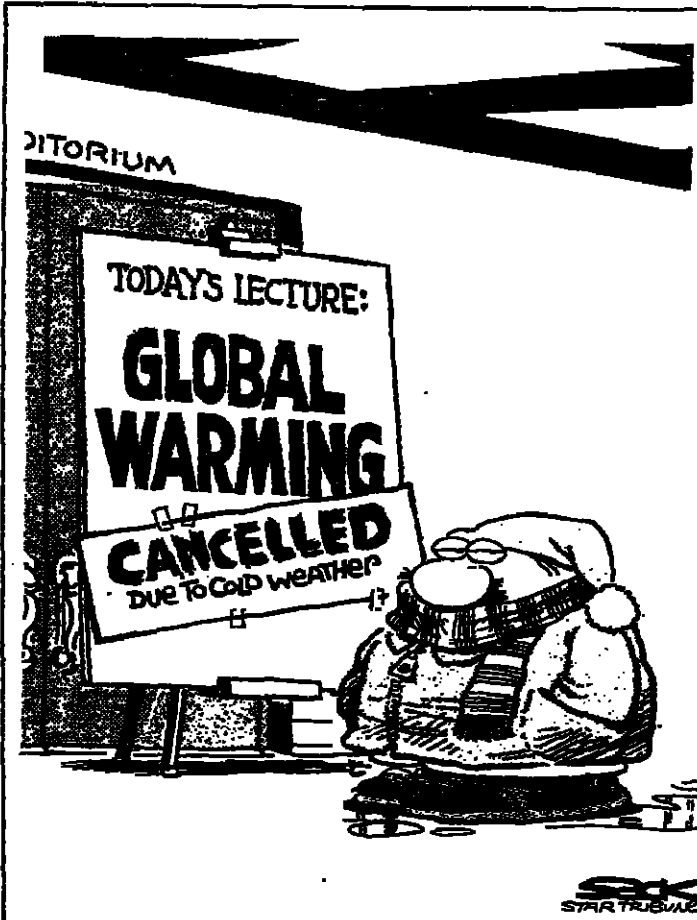
Another thought: Moscow could release the official identification papers that Soviet citizens must carry.

On that line all Soviet citizens are identified by nationality — Russian, Uzbek, Ukrainian, whatever — all but Jews. They are identified always as Jews, a clear statement to all Soviet people that their government regards Jews as outside and separate, where anti-Semitism needs them.

Whatever the Soviet Union or any other country decides about repeal, Mr. Quayle has dragged into the open the dirty story of the use of the United Nations machinery to spread bigotry and try to destroy Israel.

In so doing he has honored his country, himself, the supportive Bush-Baker diplomacy — and given the nations a chance to undo a great wrong.

The New York Times



## Sure, It Looked Better on the Beast

By Ellen Goodman

BOSTON — The car in front of me bears this year's bumper sticker, "Fur Is Dead." This news does not come as a surprise. Nor does the sticker.

The photograph in the magazine on my desk shows a trapper with his foot on the throat of an animal. The copy talks about "the practice of peeling the skins from tormented animals to feed human vanity." It is one of many I've seen.

The pickets on the fanciest street in town are equally blunt. No one can enter the store unaware that the coats inside are made of dead animals.

These are just a few of the messages in the concerted effort to strip glamour off the backs of the fur-bearing species called humans. The anti-fur folk are determined to enlighten or intimidate or at least embarrass consumers out of their skins.

The furriers are equally determined to trap these opponents in their own logic. The counter-ads warn that the anti-fur advocates are not merely after lynx and minks but also leather and steaks.

This argument has finally generated enough heat to make the participants comfortable wearing swimsuits for Christmas. But the BTUs of moralistic rage heating this caldron may leave many of the rest of us cool. And far less certain.

On one of the televised food fights that substitute for talk shows, I watched just such zealous meat points recently and had trouble deciding which was the more appalling an advocate. One, speaking for the animals, raged

about the frivolous cruelty to animals, and about the consumer as accomplice to murder. The other, siding with the furriers, cited the Bible as proof that man had dominion over all the species.

I have no desire to wander into this battle zone. Defending fur wearing is

## MEANWHILE

about as popular as defending Leona Helmsley and for much the same reason. It is no coincidence that the anti-fur forces chose to target fashion furs — high-priced and female. They place no pickets around the Eskimos' igloos.

But it seems to me there is little moral distinction to be made between wearing a mink coat and wearing a goose-down coat, between killing an animal to wear it and killing to eat it. There is even less distinction from the animal's viewpoint.

Environmental purity, the ability to live a life without a single cruel act against nature, is impossible. So people make their own compromises. But these are rarely as dogmatic as the ones set down by the anti-fur brigade.

When I was in college, a restaurant in Harvard Square served whale steak. I ate it, not having heard about endangered species. I wouldn't now. By the same rule of thumb, I wouldn't condone the killing of a rare tiger for the rug or a rhino horn

for the wall or a jaguar for a jacket. For that matter I see no reason to use the most vicious of traps. But as for the rest, I find few pathways to consistency.

Is it wrong to wear wild creatures, to eat wild birds? Is it morally superior to kill what is raised to that end? Is a mink ranch crueler than a chicken farm? Is it acceptable to wear fur for warmth, but unacceptable to wear it for fashion? Should we only wear what we would eat? Are animals that kill each other immoral?

The list of questions expands absurdly. The only pure answer is to avoid the use — or exploitation — of any other species. To neither walk on nor sit on nor devour any other creature. And, even then, who can say what toll the alternatives — from cotton fields to chemicals to farmlands — would take on human lives and the environment we share.

People make choices from the first time they knowingly eat a hamburger or catch a fish. We acknowledge ourselves as creatures of nature. Not many believe that animals were put on earth solely for human use. But most see our lives in a plan that isn't always benign.

The furriers may use delicate euphemisms to deny the harsh reality. They call rabbit "lapin" — the Easter lapin? — and racoon "tanuki." But the anti-fur extremists prefer to win by intimidation. They have staked out a moral position that leaves no room for the way we live. It is, in its own peculiar way, unnatural.

The Boston Globe Newspaper Company.

## LETTERS TO THE EDITOR

## Hong Kong's Difficulties

I have read with interest the opinion column of Arthur C. Helton ("Hong Kong Over the Fair Try," Nov. 15) on Hong Kong's treatment of Vietnamese boat people. To keep people from overseas in camps is certainly not hospitable. To send them away by forced repatriation may be even further from ideal. All the same, Mr. Helton is far from fair in his condemnation of Hong Kong.

I wonder if he appreciates or even understands our difficulties. Hong Kong has been a free port since 1842, and occupies 404 square miles, a tiny fraction of the area of the United States or Britain. The routes for admission of Vietnamese to Britain and the United States can only be described as restricted and discriminatory. Yet Hong Kong is expected to take in every one who chooses to come.

So far, more than 50,000 have done so, and many more may be coming. Is it fair to expect Hong Kong to provide a perpetual transit camp for all of them? Overcrowding in the camps is inevitable. Many of our own citizens suffer from similar or worse living conditions and have less food than the boat people. One would like to hear what the United Nations and the United States, in particular, intend to do for these refugees.

LI FOOK SEAN,  
Hong Kong

How dare we not try to save these people, who have been through so much already? If the countries of the European Community will not help, perhaps there is a future in Eastern Europe for the castaways of Hong Kong. The poor do tend to share more than the rich.

CHARLES E. BORAGH,  
Paris

## A Panama Treaty Issue

The Panama Canal treaties specify that on Jan. 1, 1991, the administrator of the canal will be a Panamanian.

by the government of Panama. However, the Bush administration, resorting to statements against the legitimacy of the current Panamanian administration, is unwilling to consider the person nominated by the National Assembly and proposed by the Panamanian government to take over the position.

It must be pointed out that the U.S. government has not questioned the legitimacy of the National Assembly, which was popularly elected and which complied entirely with the dispositions of the Torrijos-Carter treaties when it nominated by absolute majority the future administrator of the canal.

This U.S. action, against the spirit and word of the Torrijos-Carter treaties and fundamental principles of international law, not only affects the credibility of the United States as a

reliable international contractor, but clearly reflects the unwillingness of the Bush administration to comply with the Torrijos-Carter treaties, signed and ratified by two sovereign nations.

By disregarding such principles and imposing economic sanctions that affect not only the Panamanian people but also the international community (such as the recent ban on U.S. port calls by Panamanian vessels), the Bush administration demonstrates its apparent inability to solve the problem by diplomatic means. Instead it has engaged in

unilateral action against that in the pursuit of national interests the U.S. government relies on muscle rather than sense.

SUCRY ALI ALVAREZ,  
Ambassador of Panama,  
Seoul

## Poland in Hitler's War

Regarding the editorial "One Germany Can Wait" (Nov. 20):

Not for the first time, the Soviet Union is referred to as "the country that suffered worst from Hitler's war." Is this correct? In sheer numbers of dead, yes. From 12 to 20 million Soviet citizens died, as against 6 million Poles. But this is roughly 10 percent of the Soviet population, compared with 20 percent of Poles.

The war was almost 22 months shorter for the Soviet Union, and all of

Poland was occupied by the enemy, while only part of the Soviet Union was. Finally, there was the systematic destruction by the Nazis of Polish intelligentsia, clergy and nobility, as part of the plan to enslave Poles in the service of the German "master race."

This is important in the West's consideration of help to be extended to the Polish economy, ruined by four decades of Communist rule — another consequence of Hitler's war.

ADAM JANOWSKI,  
London

## On the Los Alamos Project

Regarding "Technicolor Truth" in *Movies-as-History* (Nov. 30):

The article says that "one of the participants in the Los Alamos project, wrought up about the government's possible use of the bomb, proclaimed to [J. Robert] Oppenheimer that the army is injecting plutonium, a highly poisonous substance, into unsuspecting human guinea pigs at the Oak Ridge plant in Tennessee, where plutonium was being manufactured for the Los Alamos bombs."

The article goes on to say that "there is no reason to believe that any of the scientists at Los Alamos knew about the injections," and it subsequently refers to "the incident" as if it were a fact.

It is a matter of record that no plutonium was ever produced at Oak Ridge. It was produced only at Hanford, Washington. I was employed at Los Alamos from 1944 to 1946, and had one of the widest security clearances on the Manhattan Project, including Hanford and Oak Ridge, as well as Los Alamos itself, in medicine, theoretical and experimental physics, chemistry and mathematics. If any injection of plutonium had occurred I would have known about it.

DAN E. MAYERS,  
Wadhurst, England.

The Russian who wrote about putting a hippopotamus into a refrigerator was wrong ("Getting a Hippo Into an Icebox," *Health/Science*, Dec. 14). It takes four steps, counting removing what was in the fridge before you start. But maybe Russian refrigerators are empty.

MATTHEW ROBINSON,  
Nairobi.

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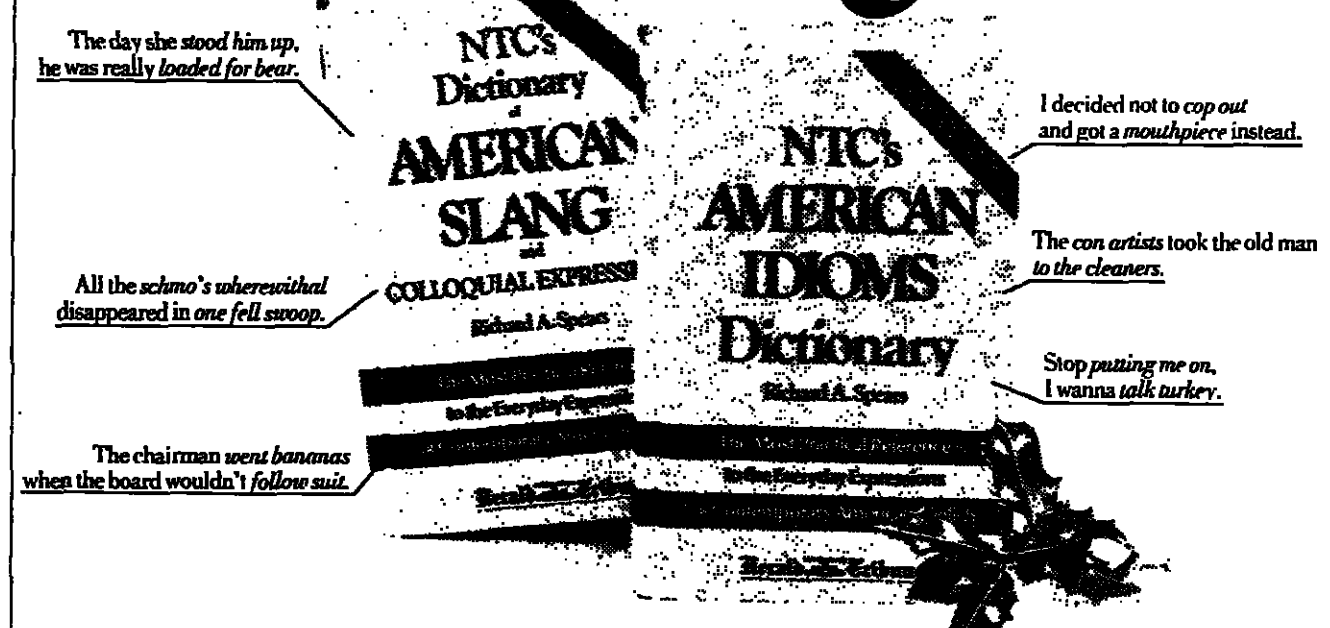
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## STAGE/ENTERTAINMENT



Director Chabrol: "Old Fritz told me a story about a guy with a metallic heart."

## Chabrol in Dr. Mabuse's Berlin

By Joan Dupont

**B**ERLIN — Away from the town center, festive with its traditional Christmas market, Berlin is a silent city. By 4 P.M., the frozen streets darken, opaque with smog from industrial Leipzig, in the east. Just the setting for a crime by Dr. Mabuse, so the director Claude Chabrol thought when he plotted "Dr. M," a film in tribute to Fritz Lang.

"Today's Berlin — a surrealistic jumble of architectural styles — is Langian," says Chabrol, "and my subject is Langian, but I didn't want to make a nostalgic film." Inspiration for yet another Mabuse — the late German master had made three films about this diabolical figure of his imagination — came from a talk between the two directors: "Old Fritz told me a story about a guy with a metallic heart."

In Chabrol's futuristic thriller, set at the end of the millennium, Berlin TV viewers are infected by a mysterious "suicide virus," emitted from broadcast headquarters of Dr. M, the man with the metallic heart.

A French-German-Italian co-production in English, with Alan Bates playing the doctor, and Jennifer Beals and Jan Niklas as a couple caught in his machinations, "Dr. M" is one of Germany's most expensive films to date (\$6 million). Shooting started in October on shadowy street corners and in studios where Lang had worked. A month later, Chabrol's crew found themselves fleeing East Berliners mobbing the wall, as if fleeing the Apocalypse.

"It's been astonishing," he says. "The situ-

ation between east and west now is exactly what it was in our screenplay — it turns out that I'm making a contemporary film."

Lang's 1922 "Dr. Mabuse, the Gambler," was a Nietzschean superman; in the 1933 "The Testament of Dr. Mabuse," he was a mad hypnotist who spouted Nazi slogans. The Third Reich banned "The Testament"

## OFF STAGE

for its "cruel and depraved character," but Hitler had been impressed by Lang's 1926 "Metropolis," and wanted him to head the regime's Film Office. The day Goebbels tendered the invitation, Lang hopped the night train to Paris.

"The first film I saw after the war was 'The Testament of Dr. Mabuse,'" says Chabrol. "It made me decide what I wanted to do in life."

One of the most prolific figures of the New Wave, Chabrol, who directed his first film, "Le Beau Serge," in 1958, became known for his exposés of blood lust among the provincial bourgeoisie. The auteurs of the '60s made their films on the cheap and repudiated the fusty formalism of the older generation, preferring gritty B thrillers, made in America. From the Cahiers du Cinéma to the halls of the Cinéma de la Ville, Chabrol and Alfred Hitchcock's suspense to fine art and rehabilitated Lang's Hollywood gothic, such as "The Woman in the Window."

Lang had a rocky time during his Hollywood period; his shy reserve was interpreted as autistic arrogance — the monologue didn't help. He returned to Germany in 1960, at 70,

to make one last film, "The Diabolical Dr. Mabuse," and was faced with "YANKEE GO HOME" painted on the walls of his studio.

**C**HABROL, too, has had ups and downs. "I've made too many films, 40, I think, and certainly too many flops in English, because I never got — so I was swindled and made a flop. I don't have to do that any more — I don't owe any back taxes, and my last films have done well."

The dark period he refers to was the late '70s, when he got involved in tax shelter deals, making films like "Blood Relatives," shot in Montreal. These hastily put-together multilingual co-productions were such disasters that Martin Karmitz, Chabrol's longtime producer, flatly refuses to back any English-language project with him even now. "Claude used to have to do films like that to make money to eat," says the producer of "Dr. M," François Duplat.

With his bright-eyed stare, his beak of a nose poised to root out the best things of life, Chabrol looks like a wise old bird. German technicians on the set say he resembles Lang, which makes him beam. Nattily dressed in well-rumpled tweeds, he wears a light-green bow tie and, on a string, a viewing filter that he raises like a monocle, sizing up the scene.

At the director's side are his second wife, Aureole, who is script supervisor, and her daughter, an assistant director. The two women tease him, nudge him along, and back him up. Along with Jean Rabier, his

director of photography since "Le Beau Serge," this is his film family.

"How much time do I have for this scene?" he asks.

Aureole Chabrol, who has clocked the script at 120 minutes, says, "Seven seconds," and holds him to it.

Chabrol is precise and analytical in his work. He shoots a scene in sequence, with little overlapping, and directs from behind a video screen: "Practical, but you have to be careful not to lose touch with the actors."

In the scene being shot today, Dr. M is surrounded by a multiracial cluster of small children; he uses them to make a propaganda pitch on television. With an oily smile Bates beckons the children to climb on his lap. "Come on, come on," he coos.

"Coupez!" the director calls. "Wunderbar!"

Nearly 60, Chabrol has not slowed down. "I'm an old filmmaker now, although I have trouble realizing it," he says. Earlier this year, he completed "Quiet Days in Clichy," also in English ("But surprisingly good"). "Dr. M" will be released in December 1991, for the centennial of Lang's birth. Next year, he plans to make "Madame Bovary" — a very Chabrolian subject. He says he has sympathy for young French directors, but no followers, and he cannot think why anyone would ever want to make a film in homage to his career.

"I have no career," he says. "Just a life."

Joan Dupont is a free-lance writer based in Paris.

## LONDON THEATER

## The Education Wars

By Sheridan Morley  
International Herald Tribune

**L**ONDON — Once in what is usually a very long while, an actress in her middle years gets a role with which she can run, often far outdistancing the play that surrounds it.

One such is Sheila Hancock, currently found to be at the Lyric on Shaftesbury Avenue in Andrew Davies's "Prin." If you can imagine a script, often essentially a monologue, concerning a lesbian aunt of Miss Jean Brodie, then that is more or less what we have here. Prin, too, is a teacher with a mission to put old heads on young bodies.

In this case she's the principal of a teacher-training college, convinced that her pupils and indeed herself have a sublime duty to spread the word of academic excellence while reserving to themselves the right to behave in more or less any way that takes their fancy.

Prin is thus intolerably rude, arrogant, elitist, old-fashioned and selfish. She is also waspishly funny, heartbreakingly touching when she was deserted by her lady love for a man, and brilliantly authoritarian when lecturing us as parents or pupils on the general collapse of British academic standards on both sides of the classroom desk since World War II.

Andrew Davies is an experienced and successful television writer whose stage plays (notably "Rose" for Glenda Jackson) tend to be wordy solo portraits of one dominant woman, surrounded by nine-pin supporting characters set up for her to knock down.

But Prin is in all kinds of personal and professional chaos, and what makes her such a splendid creation is her ability to go down like a battleship, firing on all her rescuers.

**C**ERTAIN of nothing but the holiness of the human heart and the truth of her own imagination, she divides the world into prima donnas and losers, reckoning like Brodie that the intelligent shall inherit the earth while the stupid nothing is ever too awful by way of retribution.

This is a bitchy funny conversation piece about the collapse of a once great educational system, but it is also the personal tragedy of a teacher against the world, and in that role Hancock gives the performance of her career.

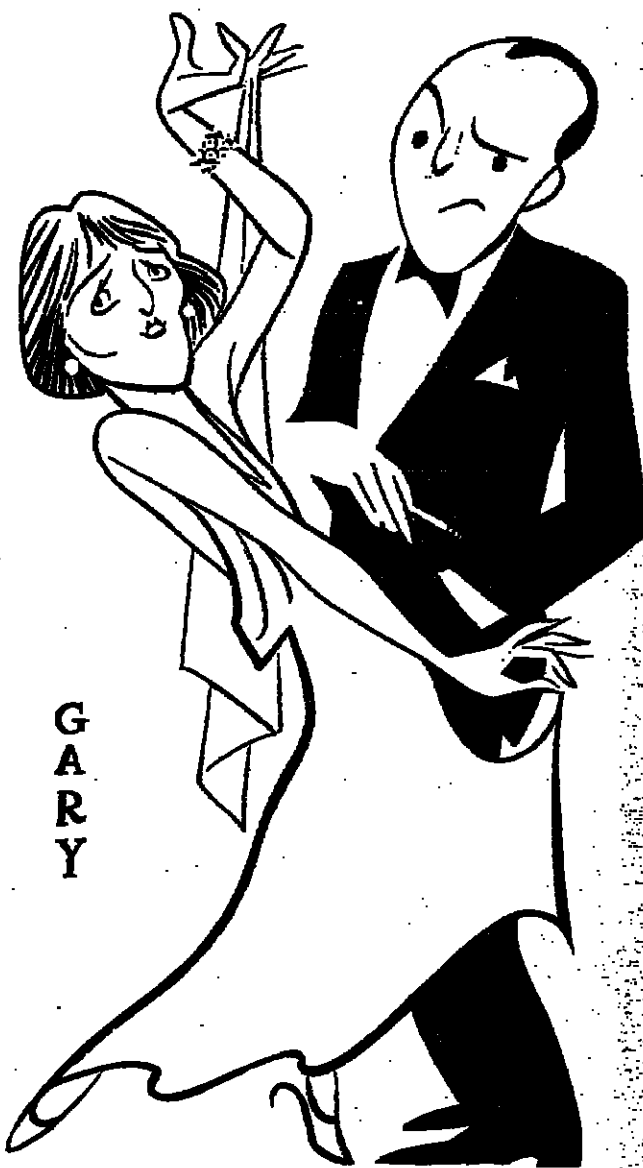
Richard Wilson's production often seems too much so much so, but it is too galvanized into bursts of activity by Prin's periodic outbursts against the world in general and her fellow teachers in particular, outbursts that Hancock fires off across her desk and out into the auditorium with the random hostility of a child let loose on a machine gun.

Her performance is one of the glories of a Shaftesbury Avenue that seems now too soon to have discovered a world of new drama as well as old musicals.

In the Barrow Eit, Stephen Poliakoff's "Playing With Trains" is that comparative rarity, a new contemporary and political play of considerable merit produced by the Royal Shakespeare Company.

As the grandson of the man who first invented talking pictures in Russia during the 1920s, but was then unable to get his patent away from communism and into Hollywood, Poliakoff has always been understandably interested in the fate of the inventor ahead of his time, and this new work is both a celebration of the innovator and a condemnation of the deep British distaste for anything really new.

In that sense, "Playing With Trains" is a kind of modern "Master Builder." Its central figure, elegantly and wistfully played by Mi-



Patricia Hodge, Simon Cadell in "Noël and Gertrude," a musical entertainment based on the lives of Gertrude Lawrence and Noël Coward, which opened Tuesday at the Comedy Theatre in London.

chael Pennington making a welcome return to modern dress, is either an evangelical innovator or a corrupt tycoon, depending on which of the other stage characters is discussing him.

Having pioneered a railroad vehicle that becomes more of an obsession with the gradual realization that it is never going to work, he abandons family and friends to retreat into a Citizen Kane existence of lonely wealth and loony muscle-flexing in isolation, until we are left

The result often looks like "Modern Times" remade as a "Modern Times" by the Department of Trade and Industry, but a chunky and sometimes static play is driven forward by Poliakoff's passionate loathing of the English at best most ambivalent and treacherous.

**H**IS portrait of the servant who is the inventor's nemesis, played by Ralph Fiennes, is a masterly hatched on British bureaucracy run riot and though the other characters are less satisfactorily or deeply drawn, Pennington himself gets more and more impressive as an odd mix of Isambard Kingdom Brunel, the 19th-century British civil engineer, and Billy Graham.

To the Haymarket Theatre, from an acclaimed summer run at Chichester, comes "London Assurance," the first play of the 19th-century Irish playwright Dion Boucicault, who is also currently filling the National with a joyous revival of "The Shaughraun."

Written within a few weeks of the 20th birthday, a century and a half ago, this is a play of an assurance of grace and charm that would not have disgraced Wilde or Sheridan at the height of their powers. Pickwickian comedy of town and country matters, it allows Pauline Donnelly to camp around as the young heir Sir Harcourt Courtenay, determined for largely financial reasons to wed a primarily fey heiress despite the intervention of a redoubtable Lady Gay Spunk.

There is a quiet irony about "London Assurance" that sets it apart from its Restoration predecessors: its more cerebral successors and Irish comedies of manners.

The production has a plot contrived pace that should make it an admirable Christmas outing for older audiences.



Sheila Hancock in "Prin."

## Jazz: The Best, and Nothing But the Best

International Herald Tribune

**S**ORTING out current record releases is like keeping up with East European governments. New packaging, titles, mixing and expanding formats are numerous, confusing, illogical and sometimes downright slimy. (There may be a new cooer by Alex Dubcek in the bins by Christmas.)

That said, here are a selection of what are now called "units" (LPs, CDs or cassettes) by jazz giants working at close to their best, and available in somebody's record store somewhere on the planet.

Up-front hints. Look out for "alternate takes." They were original-

ly locked in the vaults for a reason. Big "The Best of..." collections are often followed by (in small print) "in Cleveland," or some-

## MIKE ZWERIN

thing. Beware of unknown versions by famous people, unknown they usually deserve to remain. With the possible exception of J.S. Bach and Billie Holiday, steer clear of "The Complete..." — nobody's complete. And certainly beware of pirates — you might stumble on a gem hidden in some Nigerian shiver-me-timbbers collection, but the tape will shatter before you do and who wants to stumble anyway?

• **Louis Armstrong:** "The Hot Fives Vol. 1" (CBS). The first 16 recordings in the 1920s. The master moving up. Featuring Kid Ory, Johnny St. Cyr, Johnny Dodds and Louis's wife Lil. The basis of just about everything that followed (near remastering). Post-'40s Armstrong gets more complicated — unfortunately for the recommender not the listener. Try comparing versions of "Hello Hello," "Mack the Knife" and "That's My Desire" for kicks. The Jazz Collector Edition (LaserLight CD) is a collection of loose live performances with the players not taking themselves too seriously.

• **Billie Holiday:** "The Quintessential Billie Holiday, Vol. 1-5" (CBS). All of them — Basie, Lester Young, Teddy Wilson and those guys. It doesn't really make sense to listen to any other female vocalist. "Lady In Satin" (1958), with the Ray Ellis Orchestra adds more elaborate arrangements and horns and proves once more that there is Billie and then all the others.

• **Django Reinhardt:** "1910-1953" (EMI). Twenty-five some-times unusual versions of his representative repertoire with Dicky Wells, Eddie South and Coleman Hawkins ("Stardust") added, ending with the version of the Marseillaise ("Echos de France") de Gaulle banned from the radio in 1946.

• **Duke Ellington:** Duke was a master modern piano player — "Duke Ellington and John Coltrane" (Impulse) and "Money Jungle" (Blue Note) with Charles Mingus and Max Roach. I am not terribly fond of the early "Jungle" Ellington orchestra, examples of which are not in short supply — volumes 1-15 or something. But the band started to get really interesting on July 7, 1956, with the live recording called "Ellington at Newport" (CBS), where tenorman Paul Gonzales hosed them down for something like seven minutes.

• **Count Basie:** I cannot in good faith recommend any Basie record without Lester Young on it. "The Essential Count Basie Vol. 1-3" (CBS) will do fine, even though Prez skips a track or two.

• **Charlie Parker:** "Bird/The Savoy Recordings (Master Takes)" CD. (Includes essential early Miles Davis.) Also "Compact Jazz" Charlie Parker on Verve. NB: Avoid the "Bird" movie soundtrack.

• **Miles Davis:** 1) A double LP with Coltrane and "If I Were a Bell" and "Blues by Five" on it, titled simply "Miles Davis" (Prestige). (Everything wrong with the creative standards of the music business is illustrated in the naming of about 150 Miles Davis records simply "Miles Davis.") 2) "Porgy and Bess" (CBS) with Gil Evans. 3) "Miles Davis and John Coltrane Live in Stockholm, 1960" (Dragon).

• **John Coltrane:** "With The Red Garland Trio" (Prestige). "Ballads" (Impulse). "Afro-Blue Impressions" (Pablo).

• **Thelonious Monk:** "Plays The Music of Duke Ellington" (Riverside), with Oscar Pettiford and Kenny Clarke. Monk functions better without being encumbered by horns, no matter who's blowing. I like him best solo. Try "Alone in San Francisco" (Riverside).

• **Chet Baker:** Now safely dead, bad boy Chet has been elected to the Downbeat magazine Hall of Fame and has two movie soundtracks ("Let's Get Lost" Vol. 1 & 2) on the charts. Avoid them both. Avoid early Chet, he was a minor player in the '50s and knew it — except perhaps for "Line for Lyons" (Columbia), with Jerry Mulligan from 1952. He did not become a major soloist until the 80s. 1) "Once Upon A Summer-time" (AH), with Harold Danko, piano, Ron Carter, bass, Mel Lewis, drums. 2) "Four — Chet Baker in Tokyo," (ADD), Danko's piano again. 3) "Chet's Choice" (Criss Cross), featuring the great Belgian guitarist Philip Catherine. 4) "Blues for a Reason" (Criss Cross), Warne Marsh, tenor.

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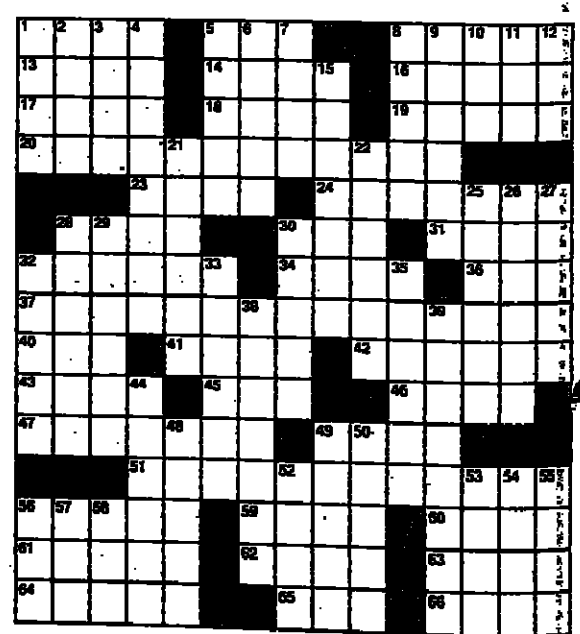
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## ACROSS

- 1 Ooze
- 5 Balam's beast
- 8 Stock-market bugaboo
- 13 Puma's pad
- 14 Rich soil
- 16 Hawk's home
- 17 Farm measure
- 18 Dies
- 19 —foot oil
- 20 Start of a quotation
- 23 French ally
- 24 Disdainful one
- 26 Lake in Ireland
- 30 Help
- 31 Art cult
- 32 Transfusion fluid
- 34 Butts
- 37 Middle of the quotation
- 40 On: Prefix
- 41 Fr. holy women
- 42 Southwestern Indian
- 43 State bird of Hawaii
- 45 Monarch in Madrid
- 46 Guy's dates
- 47 Tonsil's neighbor
- 48 So be it
- 51 End of the quotation
- 56 Last Greek letter
- 59 Anthony's loan request
- 60 Close harmonically
- 61 " — Vice"
- 62 Civil disturbance
- 63 Champagne popper
- 64 Indian lute
- 65 Apartheid country Abbr.
- 66 Remnants

## DOWN

- 1 Bed support
- 2 Apiece
- 3 Douglas Hyde's land



© New York Times, edited by Eugene Malachuk

## Solution to Previous Puzzle

HAL PLUM POLE  
ADES RITA ERRED  
RIFF OVERWEIGHT  
MOTIE CALMER  
SHELLS ONER  
ASIAN'S ADRES  
DUM EMOTE SILO  
UNDERPRIVILEGED  
ODES TRINE HES  
SORTIE SCRIPT  
OSAR TELEGA  
SEVERE ARUBA  
UNDERSTAND SAUD  
PAIDRE RIOT ERSE  
SPAS ODDS DEN

- 4 Washer function
- 5 Like Molly Malone's
- 6 Lesions
- 7 German industrial basin
- 8 Birchbark
- 9 Shortened sail
- 10 Alter constellation
- 11 Command to Marmaduke
- 12 "For" — a jolly good fellow
- 15 Handel oratorio
- 21 Fragrant resins
- 22 Mr. Bones, e.g.
- 25 Type of tire
- 26 Piel and Wharton
- 27 Hoffman's "Midnight Cowboy"
- 28 Spared Dad the marriage money
- 29 Narrow, deep-sided valley
- 30 —crafts
- 32 Full assemblies
- 33 Norwegian princess
- 35 Old hand
- 36 More indigent
- 38 Fade away
- 44 Puzzle
- 46 Walling (elated)
- 49 Hair styles
- 50 Memorable hostess with the moose
- 52 Blond
- 53 Funny fellow
- 55 Benevolent brothers
- 56 Ashram sounds
- 57 Cato's 1002
- 58 Take nourishment

July 1985



# The Mitsubishi Galant - Overall Winner in the RAC Rally.



Tyres provided by **MICHELIN**.

## Only 4 months after their Rally of 1,000 Lakes victory.

The Mitsubishi Galant 4WD Turbo's victory in the 1989 RAC Rally really comes as no surprise to those that developed and tested it. Not even the fact that it is the first Japanese vehicle to win this event. Coming a mere twelve months after the Galant's World Rally Championship debut, and hard on the heels of its victory in Finland's tortuous 1,000 Lakes Rally, the Galant 4WD Turbo has not only tested out as expected, but has also proven itself to the rallying world.

The RAC Rally is considered one of the

premier rounds of the tough European WRC series. It winds for more than 3,000 km through moors and farmlands of England and the old forests of Wales, and is regarded as particularly tough since the competitors can not practice on the course beforehand.

In winning the 1989 British RAC Rally and the Finnish 1,000 Lakes Rally, Mitsubishi Motors have furthered their aim of developing and refining their advanced technology for the benefit of the ordinary motorist.

## MITSUBISHI GALANT





## MARKET DIARY

Via Associated Press Dec. 19

## London Commodities

Commodity	Unit	Price	Change
SUGAR	100 lbs	20.40	+0.05
Cocoa	100 lbs	2,350	+10
Coffee	100 lbs	1,100	+10
Wheat	100 lbs	1,100	+10
Barley	100 lbs	1,100	+10
Oats	100 lbs	1,100	+10
Rice	100 lbs	1,100	+10
Maize	100 lbs	1,100	+10
Soybeans	100 lbs	1,100	+10
Canola	100 lbs	1,100	+10
Mustard	100 lbs	1,100	+10
Flax	100 lbs	1,100	+10
Linseed	100 lbs	1,100	+10
Sunflower	100 lbs	1,100	+10
Peanut	100 lbs	1,100	+10
Almonds	100 lbs	1,100	+10
Chestnuts	100 lbs	1,100	+10
Walnuts	100 lbs	1,100	+10
Pistachios	100 lbs	1,100	+10
Macadamia	100 lbs	1,100	+10
Coconut	100 lbs	1,100	+10
Avocado	100 lbs	1,100	+10
Guava	100 lbs	1,100	+10
Pineapple	100 lbs	1,100	+10
Mango	100 lbs	1,100	+10
Lychee	100 lbs	1,100	+10
Rambutan	100 lbs	1,100	+10
Jackfruit	100 lbs	1,100	+10
Starfruit	100 lbs	1,100	+10
Longan	100 lbs	1,100	+10
Dragonfruit	100 lbs	1,100	+10
Jackfruit	100 lbs	1,100	+10
Starfruit	100 lbs	1,100	+10
Longan	100 lbs	1,100	+10
Dragonfruit	100 lbs	1,100	+10

## Currency Options

Commodity	Unit	Price	Change
US Dollar	100	1.00	0.00
British Pound	100	1.00	0.00
Japanese Yen	100	1.00	0.00
Swiss Franc	100	1.00	0.00
West German Mark	100	1.00	0.00
French Franc	100	1.00	0.00
Italian Lira	100	1.00	0.00
Spanish Peseta	100	1.00	0.00
Portuguese Escudo	100	1.00	0.00
Belgian Franc	100	1.00	0.00
Dutch Guilder	100	1.00	0.00
Austrian Schilling	100	1.00	0.00
Swedish Krona	100	1.00	0.00
Norwegian Krone	100	1.00	0.00
Finland Markka	100	1.00	0.00
Czech Koruna	100	1.00	0.00
Slovak Koruna	100	1.00	0.00
Hungarian Forint	100	1.00	0.00
Czech Koruna	100	1.00	0.00
Slovak Koruna	100	1.00	0.00
Hungarian Forint	100	1.00	0.00

## Paris Commodities

Commodity	Unit	Price	Change
SUGAR	100 lbs	20.40	+0.05
Cocoa	100 lbs	2,350	+10
Coffee	100 lbs	1,100	+10
Wheat	100 lbs	1,100	+10
Barley	100 lbs	1,100	+10
Oats	100 lbs	1,100	+10
Rice	100 lbs	1,100	+10
Maize	100 lbs	1,100	+10
Soybeans	100 lbs	1,100	+10
Canola	100 lbs	1,100	+10
Mustard	100 lbs	1,100	+10
Flax	100 lbs	1,100	+10
Linseed	100 lbs	1,100	+10
Sunflower	100 lbs	1,100	+10
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Almonds	100 lbs	1,100	+10
Chestnuts	100 lbs	1,100	+10
Walnuts	100 lbs	1,100	+10
Pistachios	100 lbs	1,100	+10
Macadamia	100 lbs	1,100	+10
Coconut	100 lbs	1,100	+10
Avocado	100 lbs	1,100	+10
Guava	100 lbs	1,100	+10
Pineapple	100 lbs	1,100	+10
Mango	100 lbs	1,100	+10
Lychee	100 lbs	1,100	+10
Rambutan	100 lbs	1,100	+10
Jackfruit	100 lbs	1,100	+10
Starfruit	100 lbs	1,100	+10
Longan	100 lbs	1,100	+10
Dragonfruit	100 lbs	1,100	+10
Jackfruit	100 lbs	1,100	+10
Starfruit	100 lbs	1,100	+10
Longan	100 lbs	1,100	+10
Dragonfruit	100 lbs	1,100	+10

## London Metals

London Metals				
	Close Bid	Ask	Previous Bid	Ask
ALUMINUM (High Grade)				
Sterling per metric ton	1564	1568.00	1613	1615.00
Forward	1594.00	1594.00	1617	1618.00
COPPER CATHODES (High Grade)				
Sterling per metric ton	1494	1495.00	1515	1516.00
Forward	1494.00	1495.00	1515	1516.00
LEAD				
Sterling per metric ton	426	426.00	433	435.00
Forward	425.00	426.00	427	428.00
NICKEL				
Bidders per metric ton	9235	9375.00	9250	9400.00
Forward	8325.00	8425.00	8330.00	8375.00



MEDIA MARKETS

The Infiniti 'Gulp Factor' Appears to Be Working

By Bruce Horowitz  
Los Angeles Times Service

LOS ANGELES — Imagine Joe Eszter, the prevaricating symbol of the Japanese carmaker's U.S. advertising campaign, flitting in hand, seated on some big boulder. Suddenly, an off-camera voice oh-so-softly whispers Zen-like thoughts of nature.

Last week, Eszter's agency seriously considered making this ad to parody those nature-filled commercials by Nissan Motor Co. for its Infiniti model. The company finally decided not to. But the fact that it even considered creating the parody indicates how quickly this highly unusual Infiniti campaign has entered the American psyche.

The Infiniti ads are created at the Los Angeles office of Hill, Holliday, Connors, Cosmopolis, Inc. They show everything from trees to flying geese — but never provide a clear look at the \$38,000 car imported by Nissan.

The West Coast creators are a branch of the same Boston-based agency that made those touching "Real life, real answers" ads for John Hancock Mutual Life Insurance Co.

The agency, which has won many U.S. industry awards, takes unusual pride in turning left when everyone else turns right.

While glimpses of the cars will appear in future ads, executives at the agency say that the way the car looks will always rank a distant second to explaining the philosophy behind its design.

"We call it the gulp factor," said Chuck Kushel, executive vice president and general manager of the Los Angeles office. "You have to gulp when you see our ads. People say, you can't sell cars that way. I say: Says who?"

Perhaps more to the point, said Don Eason, the creative director of the Los Angeles office, who co-created the Infiniti ads, "Good ads are uncomfortable to be around. The fear is the fun. If you're not scared, you're not doing your job."

Hill, Holliday seems to thrive on adversity. It was a finalist for General Motors Corp.'s \$100 million-plus Saturn account — the yet-to-be-introduced compact car that GM says will directly compete with the Japanese imports. Instead of brooding over that loss, the agency quickly landed the \$60 million Infiniti business.

The unusual ad campaign quickly entered the American psyche.

THE GENERAL PUBLIC seems to be intrigued by its Infiniti ads, too. Many Infiniti dealers say that plenty of people who walk into their showrooms say that the offbeat ads coaxed them there.

Infiniti sales, however, remain a mystery. The company says it will wait until January to release sales figures for November and December. And it is making no projections. "Sales projections get in the way of establishing customer satisfaction as a goal," explained Dave Hubbard, Infiniti's national advertising manager.

Los Angeles ad-industry criticism of the agency's Infiniti commercials has been unusually harsh.

"They're asking people to go on a \$60 million blind date," said Brent Bouche, creative director of the Los Angeles office of Keichum Advertising, which creates ads for the rival Acura, a Honda Motor Co. unit. "To spend \$60 million advertising something, and the public doesn't even know what it looks like, well, that's frightening to me."

They have invested an irresponsible amount of money on the longest ad campaign in history," said Peter Strasser, president of the Los Angeles office of Della Femina, McNamee WCRS, the agency that considered making parodies of the ad for Eszter. "It's an incredibly indulgent way to waste your client's money."

Executives at the agency that makes ads for Lexus, the rival Toyota Motor Co. division that introduced its cars several months earlier, say the Infiniti campaign is clever — but dangerous. "They've created a set of expectations that the product could have difficulty in fulfilling," said John Hirschboeck, president of Team One Advertising. "Let's face it, it's another car. It has doors, wheels and an engine."

Japan Has Inland's Japanese Conversion

Dispute On Rates

Ministers Oppose BOJ on Increase

By Paul Blustein  
Washington Post Service

CHICAGO — Bad, bad, worse. That was how the 1980s had begun for Inland Steel Industries Inc., recalled Frank W. Luerssen, the U.S. manufacturer's chairman. But on a winter morning in 1984, Mr. Luerssen saw something that convinced him the company could make it after all.

That sight was in Himeji, a city in southwestern Japan. What Mr. Luerssen saw was a technologically dazzling factory that churned out one giant roll of steel after another — steel of extraordinarily uniform smoothness, strength and malleability — at a speed approached by no other plant in the world.

Heading back to Tokyo on the bullet train in the afternoon, Mr. Luerssen and his colleagues excitedly began discussing the possibility that with help from the Japanese, Inland might be able to build a similar facility in the United States.

Mr. Luerssen's quest for his company's salvation 6,500 miles (10,000 kilometers) from its Chicago headquarters is a good symbol of the changes that swept through the U.S. economy in the last decade.

By the mid-1980s, Inland depended on foreign capital for its growth. Its most important expenditures on plant and equipment during the decade were financed by foreigners — an ironic twist, for it was Inland's losses in the face of foreign competition that forced the company to turn abroad for financial help.

Ten years ago, nearly 24,000 people worked at Inland's steel-making facility, the Indiana Harbor Works, a 2,000-acre (810-hectare) site in gritty East Chicago, Indiana, at the southern tip of Lake Michigan. Today, 15,000 are employed there.

About 55 miles east of the Indiana Harbor Works is a scene that reflects a very different sort of change. On the site of a cornfield near the little town of New Carlisle, Indiana, workers are putting the finishing touches to a steel mill a half-mile long and 10 stories high. According to industry analysts, it will be the most technologically advanced of its kind when it starts operating early next year.

The IN TeK mill, a close replica of the one Mr. Luerssen saw in Japan, is a joint venture of Inland and Nippon Steel Corp. Japanese lenders provided two-thirds of the \$470 million required to build it.

Another Inland-Nippon joint venture is under construction at the same site; together, the facilities will employ about 430 people, perhaps one-third of the staffing required for plants of comparable output based on existing technology.

The Inland story has produced winners and losers. Among the clear losers is the United Steelworkers of America, the union whose membership in steel plants shrank by nearly half over the last 10 years.

Among the clear winners are Inland's customers, and, ultimately, consumers of products such as automobiles, refrigerators, appliances and office furniture.

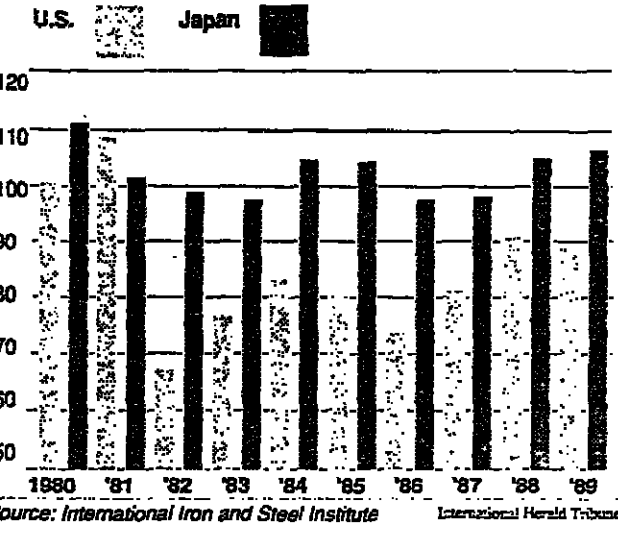
The price Inland charges for steel fell by 26 percent over the last 10 years in inflation-adjusted terms. At the same time, the quality of the company's products improved considerably.

Inland is a company coming to grips with the shipwreck of America's preeminent position in the world economy, making adjustments that seemed almost unthinkable at the outset of the 1980s.

John L. Selky, an Inland executive, recalled how the dinner conversation often began during the negotiations with Nippon Steel.

Japan Leads in Steel

Steel production in the United States and Japan, in millions of metric tons. Figures for 1989 are estimates.



Nippon Lifts Inland Stake

Compiled by Our Staff From Dispatches

TOKYO — Nippon Steel Corp. has agreed to buy new shares in Inland Steel Industries Inc., representing a 13 percent stake, in a move that analysts said could be followed by other Japanese steelmakers keen to cultivate a bigger share of the U.S. market.

The Inland deal, announced after U.S. markets closed Monday, involves the sale of 185,000 new Inland preferred shares at \$1.00 each. Nippon paid \$15 million for 1 percent of Inland's common stock earlier this year; the new transaction raises its stake to 14 percent.

"This could be an important trend," said Seiichi Yamada, analyst at Jardine Fleming (Securities) Ltd. "It implies the major Japanese steelmakers will be more involved in U.S. steelmaking operations."

Nippon and Inland have two U.S. joint ventures and a technology-exchange agreement relating to an Inland subsidiary. Nippon said in a statement late Monday that it had agreed to Inland's request to buy the shares "to broaden and strengthen the relationship."

Japan's four other major steelmakers — Kobe Steel Ltd., NKK Corp., Sumitomo Metal Industries Ltd. and Kawasaki Steel Corp. — have joint ventures with USX Corp., National Intergroup Inc., LTV Corp. and Arco Inc. respectively.

EC Proposes East German Cooperation

Launch Is Set For Bank to Aid East Europe

BRUSSELS — The European Community's executive commission on Tuesday unveiled proposals for a wide-ranging trade and economic-cooperation accord with East Germany, one day after it signed a similar deal with Moscow.

The 10-year pact, outlined at a meeting of foreign ministers by the Community's external relations commissioner, Frans Andriessen, was originally conceived to cover only trade. But the replacement of East Berlin's hardline Communist leadership by reformers promising a more market-oriented economy led the commission to take in cooperation across a broad spectrum.

The European Community began negotiating agreements with the Soviet Union and its former satellites last year after they established diplomatic relations with the bloc. The Community has tailored pacts to reflect how far each country has moved toward democracy and a market economy.

An EC Commission spokesman said the Community was offering East Germany a deal broadly comparable to a 10-year accord with Moscow, signed here Monday by Foreign Minister Eduard Shevardnadze of the Soviet Union.

Under the agreement with East Germany, the Community would progressively abolish quotas on most of the country's industrial and agricultural exports by the end of 1991. In return, East Germany would grant EC businesses better access to its market. The pact also identifies a number of areas suitable for cooperation, ranging from mining and agriculture to environmental protection, banking and health.

Separately, Poland on Tuesday unexpectedly delayed the signing in Warsaw of a crucial loan deal with the International Monetary Fund, and IMF negotiators flew back to Washington.

Polish officials said the text of a Polish letter of intent to clinch a \$725 million IMF standby loan had been agreed upon during negotiations in Warsaw, but both sides felt more consultations among themselves were needed before signing.

The IMF go-ahead would trigger billions of dollars of promised aid from the World Bank and Western countries.

■ **IMF Examining Plan**

Lawrence Malkin of the International Herald Tribune reported from New York:

IMF officials in Washington are formally examining Poland's economic program as outlined in its letter of intent, and said they want to prepare the Fund to approve credits swiftly as soon as the Poles do sign.

Top IMF officials were waiting for a detailed report from their chief negotiator, Massimo Russo. One said that Washington did not yet know precisely "why the Poles want to spend a few more days examining" their program.

CURRENCY RATES

Cross Rates

	\$	£	D.M.	F.F.	Y.L.	G.H.	S.F.	S.P.	Yen
Amsterdam	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
Bremen	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
Frankfurt	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
London	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
Paris	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
Stockholm	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
Switzerland	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15
U.S. dollar	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15

Forward Rates

	30-day	60-day	90-day	120-day	150-day	180-day	210-day	240-day	270-day	300-day	360-day
Amsterdam	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Bremen	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Frankfurt	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
London	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Paris	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Stockholm	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Switzerland	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15
U.S. dollar	1.97	1.18	1.78	1.30	1.15	1.15	1.15	1.15	1.15	1.15	1.15

INTEREST RATES

Eurocurrency Deposits

	1 month	3 months	6 months	12 months
Amsterdam	1.97	1.18	1.78	1.30
Bremen	1.97	1.18	1.78	1.30
Frankfurt	1.97	1.18	1.78	1.30
London	1.97	1.18	1.78	1.30
Paris	1.97	1.18	1.78	1.30
Stockholm	1.97	1.18	1.78	1.30
Switzerland	1.97	1.18	1.78	1.30
U.S. dollar	1.97	1.18	1.78	1.30

Key Money Rates

	1 month	3 months	6 months	12 months
Amsterdam	1.97	1.18	1.78	1.30
Bremen	1.97	1.18	1.78	1.30
Frankfurt	1.97	1.18	1.78	1.30
London	1.97	1.18	1.78	1.30
Paris	1.97	1.18	1.78	1.30
Stockholm	1.97	1.18	1.78	1.30
Switzerland	1.97	1.18	1.78	1.30
U.S. dollar	1.97	1.18	1.78	1.30

U.S. Prices

Rose 0.4% Last Month

WASHINGTON — Higher food, housing and medical-care costs helped to push U.S. retail prices up a seasonally adjusted 0.4 percent in November, the Labor Department reported Tuesday.

The increase in the Consumer Price Index, which tracks the cost of a basket of consumer goods, continued a period of moderate inflation, which included an 0.5 percent increase in October and an 0.2 percent gain in September.

While prices increased during the month, the Labor Department also reported a decrease in the real average weekly earnings of U.S. workers. Weekly wages dropped 0.7 percent in November.

For the first 11 months of the year, prices rose at a 4.6 percent annual rate, compared with a 4.4 percent inflation rate for all of 1988.

Economists said the November price increase was slightly higher than expected and indicated that inflationary pressures, while not building dramatically, continue to plague the economy.

"This certainly suggests that inflation is not going away quickly," said Cynthia Latta, an economist at Data Resources Inc. "The report says inflation may be getting a lot worse but it's not getting better."

Irwin Kellner, chief economist at Manufacturers Hanover Trust Co., said it is unlikely that the Federal Reserve Board will react to the price report with a move to lower interest rates immediately.

"This is obviously worse than expected and unfortunately, from the point of view of economists and the financial markets, it will probably delay further moves toward easing by the Fed," Mr. Kellner said.

In another sign of slowing U.S. economic growth, the government also reported Tuesday that U.S. housing starts fell 4.7 percent in November.

New housing construction fell to a seasonally adjusted annual rate of 1.36 million units from a revised 1.42 million the month before, the government said.

During the first 11 months of the year, 1.3 million housing units were started, down 7 percent from 1.39 million in the year-earlier period.

Mr. Kellner said he feared the onset of a "full-blown recession" because of a pervasive softening of several sectors of the economy, including housing and auto sales.



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# EC Proposes Cuts in Farm Aid

## Five-Year Plan for GATT Wouldn't End All Subsidies

BRUSSELS — The European Community will unveil on Wednesday a proposal to reduce, but not eliminate, farm subsidies over a period of five years.

The plan represents the EC position in crucial talks to reform agricultural trade in the current round of negotiations in the General Agreement on Tariffs and Trade, the Geneva-based world trade body, officials said Tuesday.

The Community position was approved late Monday night at a meeting of the 12 EC foreign ministers. It contrasts with that of the United States, which wants eventually to eliminate all farm subsidies.

"With this proposal the EC is taking the initiative in the farm negotiations," an EC Commission source said. "It is a clear, simple and practical position."

In the position to be presented to the GATT talks on Wednesday, the EC maintains its opposition to a long-term elimination of subsidies, calling instead for a "progressive reduction in support" over five years with a review of the situation at the end of that period.

Under a U.S. plan already presented to the GATT, existing agricultural subsidies would be converted into more visible tariffs which then would be gradually reduced.

The EC came slightly closer to the U.S. proposal by recommending a partial conversion of the trade cuts into fixed tariffs. But it has said cuts in some price supports should be "rebalanced" by raising others.

The U.S. opposes this arguing it cannot accept any increases in trade barriers.

A controversial element of the EC proposal is the suggestion that countries get a "credit" for subsidy cuts made since 1986, when the 105-nation Uruguay round of GATT talks to free the flow of international commerce first began.

The EC says it has built up large credits through changes it has made in its farm-support program over the last three years.

The EC seeks a "global" approach, with all trade-distorting subsidies from export refunds to price guarantees covered in the negotiations. It wants an international agreement on a common measure of support that would be

the basis for subsidy cuts by all GATT parties.

For its part, the United States has been looking for commitments on individual support measures.

The long-term proposal, which has been endorsed by EC foreign ministers, is to be presented in Geneva to GATT's agriculture negotiating committee.

The ministers decided to send the proposal to GATT despite misgivings from some member states, notably West Germany and Ireland, which fear that it goes too far. The West Germans, whose small farmers are vulnerable if EC barriers are eroded, are particularly nervous about the proposed use of tariffs.

As a result, the ministers instructed the EC's executive committee, which negotiates on behalf of the 12-nation bloc, to ensure that the basic principles of its Common Agricultural Policy are preserved.

In a section that is likely to get a cool response in Washington, the EC proposal also asks that deficiency payments to farmers, which are the main U.S. method of sup-

port, should be considered a trade barrier and converted to tariffs.

(AP, Reuters)

**EFTA and EC Sign Pact**

The European Community and the European Free Trade Association agreed Tuesday to negotiate a new agreement aimed at boosting cooperation, United Press International reported.

The new talks would focus on allowing the free movement of trade, capital, people and services between the two trade blocs, said officials at a meeting in Brussels of the EC and EFTA foreign ministers. They would also aim to strengthen cooperation in such fields as research and development, the environment, education, working conditions, and consumer protection, small and medium-sized enterprises and tourism.

Talks will begin in the first half of next year and should be concluded "as soon as possible," the two groups said in a joint statement.

Trade between the two groups totaled \$220 billion last year.

# Putting the Dresdner Back in Dresden

FRANKFURT — Dresdner Bank AG announced Tuesday that it would open a representative office in Dresden, the East German city where the bank was founded in 1872.

The announcement was made as the West German chancellor, Helmut Kohl, was in Dresden on his first official visit to East Germany.

Dresdner, West Germany's second largest bank, said its chairman, Wolfgang Röll, had reached agreement on the opening with Wolfgang Berghofer, Dresden's mayor.

The office, Dresdner Bank's first presence in East Germany since the Communists attained power at the end of World War II, will start operating in the next few days, the bank said in a statement.

Dresdner's management was shifted to Berlin in 1984, but Dresden remained the bank's legal headquarters until 1990. The official headquarters has been in Frankfurt since 1957.

Other West German banks also plan offices in East Germany. Westdeutsche Landesbank Girozentrale said Monday that it would open a representative office in East Berlin, and Commerzbank AG said it is considering such a move.

Dresdner Bank said its office will help West German companies establish contacts with East German state authorities, banks and enterprises "with the goal to foster economic relations and to realize possibilities for cooperation and investments by West German and foreign companies."

The bank also announced the creation of a 20 million Deutsche mark (\$11.6 million) foundation to help finance cultural, scientific and architectural projects in Dresden.

(AP, Reuters)

# Vote Stymies Privatization By Israel

JERUSALEM — Israel's privatization program, which aims to attract badly needed foreign investment and raise up to \$5 billion, was dealt a severe blow on Tuesday by a parliamentary committee.

The Knesset's finance committee voted against the sale of a majority of Israel Chemicals Ltd., the most profitable state-owned enterprise.

Finance Minister Shimon Peres stated Israel Chemicals as the first major concern to be sold in a drive to attract foreign investment and make industry more competitive.

Analysts said the program to sell more than 20 companies and raise up to \$5 billion was important for Israel's competitive position in light of the European Community's plan for a single market after 1992.

Finance Ministry officials said the government had hoped to raise \$400 million dollars by selling just over 50 percent of Israel Chemicals to foreign investors by April 1990.

"Today, no foreign investor will take us seriously any more," a finance ministry official commented.

The finance panel voted 22-4 to recommend the government retain control of Israel Chemicals because of its natural resources holdings and importance to the economy.

It suggested selling a minority stake on the Tel Aviv Stock Exchange and to employees.

Israel Chemicals earned \$38.7 million in the first half of 1989, compared with \$23 million in the like period last year, the company reported in October. First-half sales were \$550 million of which more than \$300 million were exports.

**Koor Unit Loss Widens**

Tadris, the defense-oriented electronics subsidiary of Koor Industries Ltd., reported a \$96 million loss for the first nine months of 1989 and said it might cut 1,000 workers, Reuters reported from Tel Aviv.

The record loss was more than the \$32 million deficit posted in the corresponding 1988 period. Koor, which is owned by trade unions, had planned to sell Tadris for \$185 million. Sources in Bank Hapoalim, Koor's largest creditor, said the Tadris figures showed that value was too high.

## Investor's Europe

Frankfurt	London	Paris
Commerzbank	F.T. 100 Index	C.A.C. 40
2100	2450	2000
1900	2250	1900
1800	2150	1800
1700	2050	1700
1989	1989	1989
Exchange	Index	Tuesday
Amsterdam	CBS General	181.60
Brussels	Stock Index	N.Q.
Frankfurt	Commerzbank	2030.70
Frankfurt	DAX	1647.50
Helsinki	UNITAS	620.00
London	Financial Times 30	1852.50
London	FT-SE 100	2342.10
Madrid	General Index	300.69
Milan	MIB	1141
Paris	CAC 40	1932.02
Stockholm	Affarsvaerden	1150.30
Zurich	SBS	647.60
		Prev. Close
		% Change
		6399.29
		2024.40
		+0.31
		1634.57
		+0.79
		612.60
		+1.21
		1864.50
		-0.64
		2358.50
		-0.70
		302.48
		-0.59
		1145
		-0.35
		1945.74
		-0.71
		1152.40
		-0.18
		643.80
		+0.59

Source: Datastream, AFP

International Herald Tribune

# Volkswagen Says Sales To Grow 10% in 1989

WOLFSBURG, West Germany — Volkswagen AG said Tuesday that group sales would rise by 10 percent to 65 billion Deutsche marks (\$37.7 billion) in 1989.

VW predicted that world-wide deliveries would rise by 3 percent to nearly three million vehicles. Far-east company sales should rise 9 percent to more than 48 billion DM this year, the company said in a statement.

Volkswagen added that profits were expected to rise in all business sectors. The company made a group net profit of 780 million DM last year and has said it is likely that 1989 profits would exceed 1 billion DM. VW's statement Tuesday said cost cutting measures and a move by consumers buying high-quality vehicles were boosting earnings, but gave no firm profit prediction for 1989.

The only declines in 1989 sales were in North America and Argentina, where markets remained difficult, Volkswagen said.

European sales are expected to reach 2.14 million cars this year, up 5 percent. VW said that its Golf model remained Europe's best-selling car for the seventh consecutive year.

Volkswagen's chief executive, Carl Hahn, said he was optimistic about the company's future because of its longstanding cooperation with East German firms and its location near the East German border. Earlier this month, VW proposed forming a joint venture with East German vehicles maker INA.

Mr. Hahn, who expects the whole East Bloc to turn slowly toward a market economy, said, "Overnight, we in Wolfsburg are sitting at the center of Europe."

VW said the only dark spot on the horizon could be next year's wage negotiations, which could result in strikes and lock-outs similar to 1984.

(Reuters, UPI)

# Bridgestone Slashes Profit Forecast

TOKYO — Bridgestone Corp. has slashed its profit projection for the year by 62.5 percent because of costs associated with its \$2.6 billion acquisition of Firestone Tire & Rubber Co. in 1988, a spokesman said Tuesday.

The spokesman said the company anticipates 1989 group net profit of 15 billion yen (\$104.3 million), down from a March prediction of 40 billion. In 1988, group net profit was 39.96 billion yen.

The company attributed the revision primarily to interest burdens resulting from \$2.6 billion in loans for the Firestone acquisition, the spokesman said. Other negatives are sluggish Firestone tire sales in the Americas and Europe and interest burdens from \$300 million in investment in Firestone facilities. The company is involved in a three-year, \$1.5 billion program to expand Firestone's operations.

Bridgestone, the third-largest tire company in the world, trailing Goodyear Tire & Rubber Co. and Michelin & Co., also cited competi-

tion in Europe and accounting changes following the Firestone takeover for the revised forecast. Bridgestone won Firestone by outbidding Pirelli SpA of Italy, which had offered \$1.86 billion.

In November, Bridgestone said it would bolster U.S. activities to better compete with Michelin, which bought Uniroyal Goodrich Tire Co. As part of the plan, Teiji Eguchi, the Bridgestone chairman, was to move to Akron, Ohio, early next year to oversee the U.S. operations.

The company said Mr. Eguchi's presence was meant to "expedite decision-making within North America" and "smooth coordination" with management in Tokyo. Bridgestone also appointed two vice presidents, Akio Ono and Akio Mino, to the Board of Bridgestone-Firestone Inc.

Bridgestone merged its U.S. operations with Firestone several months after the acquisition.

The Bridgestone spokesman said the lower profit forecast did not

# Sanofi Enters Taiwan Deal

TAIPEI — Sanofi, the French pharmaceutical company, plans to enter a joint venture involving the transfer of the latest medical technology to Taiwan, an executive of the Taiwan partner company said Tuesday.

Sanofi will join with Yung Shin Pharmaceutical Industrial Co. and will own 51 percent of the venture, Sanofi-Yung Shin Taiwan Co., with Yung Shin owning the remainder.

Sanofi will provide Yung Shin with the latest medical technology and will gain access to Yung Shin's well-established sales network, the Yung Shin executive added. The agreement was expected to be signed on Wednesday.

Sanofi invests 18 percent of its annual sales in research and development.

Bridgestone expects its group net profit to rise to 25 billion yen in 1990 and about 40 billion in 1992, he said.

The company raised its group current profit forecast for 1989 to 110 billion yen from the previous prediction of 100 billion yen. In 1988, group current profit, similar to pretax profit, was 95.56 billion yen.

Bridgestone also raised its group sales forecast for 1989 to 1.7 trillion yen from the previous forecast of 1.5 trillion against 1.19 trillion the year before.

Bridgestone said it raised its parent net profit forecast for 1989 to 41 billion yen from a July prediction of 39 billion. In 1988, parent company net profit was 36.15 billion yen.

(Reuters, AFP)

# Mondadori Plot Thickens as De Benedetti Shares Seized

MILAN — The battle for control of Italy's largest publishing house took a new twist as a magistrate ordered the sequestration of 8.5 million privileged shares in Arnoldo Mondadori Editore SpA, court sources said Tuesday.

The shares are held by Carlo De Benedetti, the chairman of Olivetti & C., who is fighting with Silvio Berlusconi, the private-television magnate, for control of Mondadori.

The sequestration was requested by the Formenton-Mondadori family, who are supporting Mr. Berlusconi.

Mr. De Benedetti had signed a

37.3 percent owned by Mr. Berlusconi.

"Everybody has their heels dug in — it's like trench warfare," Oliver Novick, head of corporate development for Mr. Berlusconi's holding company Fininvest SpA, said on Tuesday.

The two sides are also battling in the courts over a plan by Mr. De Benedetti to resolve the question once and for all by a capital-raising exercise which would dilute AMEF's stake and leave him with a controlling stake in Mondadori.

Brokers say both sides have been buying Mondadori shares on the Milan stock exchange to bolster their positions. Mr. Novick confirmed that the Berlusconi group had purchased additional shares recently on the bourse and that further buying may be done.

(AFP, Reuters)

# Republic Sets Purchase Of Manhattan Savings

By Michael Quint  
New York Times Service

NEW YORK — Republic New York Corp., a banking company best known for its strong financial position and business with the rich, has announced plans to enlarge its foothold in the New York market by acquiring Manhattan Savings Bank for about \$200 million in stock.

Less than three years ago, Republic acquired Williamsburgh Savings Bank and turned it from a money lender into a highly profitable operation with \$2.6 billion in deposits.

Announcing the deal Monday, Republic said Williamsburgh will be merged into Manhattan Savings, also a profitable operation with \$2.8 billion of deposits.

Republic, the 26th-largest U.S. banking company, currently has \$16.8 billion in deposits, including Williamsburgh.

One of the world's largest traders in the gold market, Republic does not lend actively to businesses, preferring to invest depositors' money in short-term securities. That philosophy helps keep expenses down but limits the amount of interest the bank can earn on its investments.

A relative newcomer to the New York market, Republic was started in 1966 by Edmund J. Safra, who owns 33 percent of the company's stock and is in close contact with the bank's senior officers, although he holds no official position.

Mr. Safra, a Brazilian citizen of Lebanese descent, is now developing Safra Republic Holdings, a bank-holding company catering to

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**DIVIDEND NOTICE**

The Annual General Meeting of Shareholders of OBLI-DOLLAR has unanimously decided to distribute the income realised during the financial year to 30th September, 1989 by assigning to "A" shareholders US\$ 115.00 per share held on the 14th December, 1989.

The dividend will be paid to "A" shareholders on the 28th of December, 1989 against presentation of the coupon N° 2 to the Banque Paribas Luxembourg, 10A, Boulevard Royal, Luxembourg.

Dividend cheques will be sent to registered "A" shareholders.

The dividends not claimed by the "A" shareholders within 5 years of the provided date will lapse and revert to the Fund.

For the "B" shareholders, the dividend will be capitalised in the next asset value per B share.

Luxembourg, 15th December, 1989

OBLI-DOLLAR

# NYSE

## Tuesday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)									
High	Low	Open	Close	High	Low	Open	Close	High	Low
100	98	99	99	100	98	99	99	100	98
101	99	100	100	101	99	100	100	101	99
102	100	101	101	102	100	101	101	102	100
103	101	102	102	103	101	102	102	103	101
104	102	103	103	104	102	103	103	104	102
105	103	104	104	105	103	104	104	105	103
106	104	105	105	106	104	105	105	106	104
107	105	106	106	107	105	106	106	107	105
108	106	107	107	108	106	107	107	108	106
109	107	108	108	109	107	108	108	109	107
110	108	109	109	110	108	109	109	110	108
111	109	110	110	111	109	110	110	111	109
112	110	111	111	112	110	111	111	112	110
113	111	112	112	113	111	112	112	113	111
114	112	113	113	114	112	113	113	114	112
115	113	114	114	115	113	114	114	115	113
116	114	115	115	116	114	115	115	116	114
117	115	116	116	117	115	116	116	117	115
118	116	117	117	118	116	117	117	118	116
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## American Close to Deal With Texas Air Units

By Agis Salpukas

New York Times Service

NEW YORK — In an agreement close to being signed, American Airlines would buy the Latin American routes of Eastern Airlines for almost \$350 million and pay Continental Airlines about \$100 million to settle a suit over computerized airline reservations, a person close to the negotiations said.

The deal would provide Continental and Eastern, both subsidiaries of Texas Air Corp., with badly needed cash. The money is crucial to Eastern as it puts together a reorganization plan to emerge from federal bankruptcy court protection.

Robert L. Crandall, chairman of AMR Corp., parent of American Airlines, has said his airline would not buy the Eastern routes unless Continental drops its suit charging that American's Sabre reservation system favors American over other carriers. The suit has sought about \$1 billion in damages.

The person close to the negotiations, who asked not to be identified, said Monday that an agreement had been reached between American and Eastern, which was negotiating for Continental as well, but that it had not been signed. He said Continental would agree not to bring another suit against American after dropping the current one.

Last week, a federal jury ruled in a separate suit by other airlines that American and United Airlines had not monopolized their computerized airline reservations systems to the detriment of other carriers.

An acquisition of the Eastern routes would have to be approved by the Justice Department and the Department of Transportation.

The acquisition would be an expensive coup for American, the largest U.S. airline, which has been expanding quickly in Europe and other international destinations, said Candace Browning, an analyst with Wertheim Schroder & Co.

The routes produced about \$17 million in profit for Eastern in 1988, and it will be difficult for

## TWA to Sell London Route To American

Compiled by Our Staff From Dispatches

FORT WORTH, Texas — American Airlines said that it had agreed to buy TWA's Chicago-London traffic rights for about \$195 million.

American said the purchase, which also includes the transfer of four TWA gate rights and a maintenance hangar at Chicago's O'Hare airport, was part of a strategy to strengthen its European service.

In a letter to TWA employees, Chairman Carl C. Kaelin said that the sale, announced Monday, was designed to help restore TWA's profitability and to give the company extra cash. He said that other asset sales are possible.

The TWA pilots union called the sale the first step in a liquidation of the unprofitable airline. They said they would try to block the transaction, which requires government approval. (AP, Reuters)

American to quickly recoup its investment, she said.

"Strategically, it's the right move, but the price is high and it will dilute earnings in the short run," she said.

The countries served by Eastern include Brazil, Argentina, Peru, Chile, Venezuela, Bolivia, Paraguay, Ecuador, Colombia, Panama, Costa Rica, El Salvador, Honduras and Guatemala.

Eastern issued a cautiously worded statement Monday that it planned to sell its Latin American routes but the sale was under negotiation. It did not identify the buyer.

Eastern began to seek a buyer for the routes about a month ago, when it became clear that the carrier would be short about \$200 million in the cash it projected it would need to rebuild.

## Argentina Lifts Price and Exchange Controls

Compiled by Our Staff From Dispatches

BUENOS AIRES — President Carlos Menem has lifted price and exchange controls in an attempt to shore up confidence in the Argentine economy and turn back a surge in inflation.

The measures were announced Monday night by Antonio Erman Gonzalez, who last week became Argentina's third economy minister since Mr. Menem assumed office in July.

Mr. Erman said the government would not intervene in the exchange market, but would allow Argentina's national currency, the austral, to float "free and clean" when the markets open on Wednesday for the first time in a week.

He also said all prices, except those for public transportation and utilities, would be free even though they were likely to shoot up over the short term. Prices for public services would remain unchanged.

The government also will cancel an increase in export fees, he said. But the average public employee's salary will be raised from 100,000 australs (\$101) to 120,000 australs a month.

The moves announced by Mr. Erman followed the failure of emergency policies adopted by his predecessor, Nestor Rapanelli, who resigned last week.

Mr. Rapanelli, in an attempt to curb an outbreak of inflation, had

devalued the austral by 54 percent, increased rates on public services between 20 and 90 percent and raised salaries.

But the austral continued to drop against the dollar in the free market, plummeting in three days from 1,100 australs to the dollar to 1,600.

The importance of the measures was underlined by the fact that Mr. Gonzalez's speech was broadcast nationwide from Government House, with the president, vice president, cabinet ministers, business and union leaders and high officers of the armed forces in attendance.

In his own speech, Mr. Menem

insisted his long-term program of privatization, deregulation and reduced government spending would continue and is the only solution to Argentina's decade-long problems of inflation and economic stagnation.

"On this flight, we are all on board, absolutely everyone, and this plane has no parachutes," Mr. Menem said. "Anyone who wants to jump may jump, knowing the consequences."

Mr. Gonzalez takes over amid economic distress that threatens to become a political crisis for Mr. Menem, who risks losing public support he needs in the short run while waiting for his reforms to produce results. (AP, AP)

## STEEL: Inland's Japanese Conversion Symbolizes U.S. Industry Trend

(Continued from first page)

over the building of the IN Tek joint venture. "The Japanese would give this little preamble, saying that in the '60s, the U.S. steel industry had helped them and given them equipment and technology. Now they realized it was time for them to reciprocate. They felt it was important to help America."

At the beginning of the 1980s, Inland was bullish on steel — much more so than most other steel companies. It had plowed more than \$1 billion into plant and equipment during the latter half of the 1970s, culminating in the construction of the new blast furnace, while some of its rivals had begun to slowly disinvest from steelmaking.

Inland, the sixth-largest U.S. steel company at the time, had always been a maverick, proud of its reputation among Wall Street analysts as perhaps the smartest and best-managed steel company in the industry.

The company had found it necessary to buy Japanese technology to build its new blast furnace, but that just showed how farsighted Inland was. Let the rest of the industry diversify into businesses like oil and financial services, Inland's executives reasoned.

But before long, Inland was struggling not only to maintain its commitment to steel, but for its survival.

In 1982, the U.S. economy

slumped into a deep recession, and Inland had a loss of \$119 million, its first full-year loss since the Depression. More disturbing, the company's fortunes did not improve much when the economy began to recover. In 1983, Inland had a \$117 million loss, followed by one of \$41 million in 1984.

The root of the problem was ex-

ported steel had long enjoyed a cost advantage over domestic steel. That gap was growing wider during the first half of the decade as the dollar kept rising against other currencies, making foreign products cheaper. West German steel, for example, which had cost just a few dollars a ton less than the U.S. product during the late 1970s,

undersold American-made steel by about \$170 a ton in 1984.

The import share of the U.S. steel market soared, from 16.3 percent in 1980 to 26.4 percent four years later. The figure would have risen higher but for a federal import restriction program that went into effect in October 1984 and has remained in force.

Like other American steel companies, Inland had never put much of a priority on quality. The U.S. industry had always been obsessed with producing the maximum possible tonnage.

By 1985, Mr. Luerssen, who had assumed the Inland chairmanship in 1983, decided that the company needed to adopt a dramatically new

strategy aimed at making itself a producer of world-class-quality steel for the consumer-durables market.

The company sank more than \$100 million a year into modernizing its plant.

But by 1985, the financial drain on the company was becoming crippling. Inland was forced to sell its Chicago headquarters building and a prized Willem de Kooning painting, which fetched \$900,000.

More than 1,000 salaried positions — about one-fifth of the total — were cut. At the 1985 stockholders meeting, Inland announced that it would permanently close almost one-third of its steelmaking capacity at the Harbor Works, a move that cost 900 more blue-collar jobs.

Losses for 1985 totaled \$178 million. Inland needed outside help.

Nippon Steel, the world's largest steelmaker, is renowned for its technological prowess. So when its chairman, Eiichi Saito, met with Inland's top executives in November 1985 and casually mentioned that his company might be interested in doing "something significant" with Inland, Mr. Luerssen quickly followed up.

Two months later, he and four other Inland executives traveled to Nippon's Hirakawa works. The object of the visit was a facility that Inlanders soon thereafter dubbed "Star Wars" — a computer-controlled steel mill.

## The Japanese said they 'realized it was time to reciprocate. They felt it was important to help America.'

John L. Selky, Inland Steel.

plained regularly, and loudly, by the company's main customers, like Ford Motor Co.; Whirlpool Corp., the appliance manufacturer; and Steelcase Inc., the office-equipment maker. All felt compelled to buy imported steel.

"We were hearing just incredible stories from our customers about the imports' product reliability," recalled Robert E. Powell, who was Inland's vice president for sales at the time.

The imported stuff was easier to form into auto bumpers, refrigerator panels and desk drawers, the customers said. It did not break as often in their presses. It did not have as many scratches, and it could be painted more readily.

## OMAR GAS UTILISATION PROJECT

### Advertisement for prospective bidders for Omar Gas Plant contract

P/9/5373  
Al Furat Petroleum Company announces its intention to solicit bids for the engineering, procurement and construction of gas utilization project. The work is to comprise installation of a 188,780 SM3/HR. (160,000,000 SCF/day) gas processing plant in Eastern Syria. The plant is to dry, dewpoint to -28 degrees C, and export associated gas. The heavy components removed from the gas are to be fractionated to produce a mixed LPG product and a stabilised condensate product. AFPC will procure all compressors and generators. All other materials/equipment will be procured by the successful contractor, a pre-tender information package can be collected from the purchasing manager's secretary after 9 a.m., November 30th, 1989 on payment of U.S. \$500, which will be refundable upon purchase of the RFQ documents. The package will consist of the following documents:

- AFPC's standard conditions of contract.
- AFPC's special conditions.
- Outline scope of work.
- Typical pricing schedule.
- Contract schedule.
- P.F.D's and plot plans.

The anticipated schedule is as follows:  
15th January 1990, issue request for quotation;  
18th March 1990, bids due;  
7th May 1990, issue letter of intent.

Dr. Eng. N. NABULSI  
Chairman of the Board.

## OMAR GAS UTILISATION PROJECT

### Advertisement for prospective bidders for Omar Gas Pipelines contract

P/9/5372  
Al Furat Petroleum Company announces its intention to solicit bids for the engineering, procurement and construction of pipelines and facilities associated with its Omar Gas utilization project. The work is to comprise installation of a main 18 inch pipeline of approximately 440 km. in length between Omar (Dier-ez-Zor) and a point south of Damascus, together with auxiliary pipelines of 8, 10 and 12 inch, totalling approximately 100 km. in length. Equipment required includes the following:  
— Inlet manifold and slugcatcher at Omar gas plant;  
— Pressure reduction/stopping stations including preheaters to be installed at Tharyem power plant, T3 booster station, Adra cement plant and Talsheim power plant;  
— Cathodic protection for all buried pipelines;  
— A fibre optic telecommunications/data gathering system for operation of the main gas pipeline. The fibre optic operation of the main gas pipeline cable will be buried in the pipeline trenches.  
AFPC will procure all materials/equipment will be procured by the successful contractor.

A pre-tender information package can be collected from the purchasing manager's secretary after 9 a.m., November 30th, 1989 on payment of U.S. \$500, which will be refundable upon purchase of the RFQ documents. The package will consist of the following documents:

- AFPC's standard conditions of contract.
- AFPC's special conditions.
- Outline scope of work.
- Typical pricing schedule.
- Contract schedule.
- P. and L.D's and route maps.

The anticipated timetable is as follows:  
January 24, 1990, issue request for quotation;  
March 25th, 1990, bids due;  
May 7, 1990, issue letter of intent.

Dr. Eng. N. NABULSI  
Chairman of the Board.

# FREE INFORMATION

FROM INTERNATIONAL INVESTOR XVI

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The latest information from the distinguished companies listed in this section is available to you at no charge. Simply circle the appropriate number on the coupon at the bottom of the page and return it to us before January 19, or telex the numbers with your return address, and the report(s) will be mailed to you by the companies involved.

## Industriekreditbank AG Deutsche Industriebank



In fiscal 1988/89, Industriekreditbank (IKB) achieved continued growth. Total assets rose 11.5% to D.M. 22.4 billion. Claims on customers increased 12.3% to D.M. 17.2 billion. Net receipts on interest and commissions grew by D.M. 5 million to D.M. 281 million. The bank's excellent performance in 1988/89 enables it to pay its shareholders a special D.M. 1 bonus on the occasion of its 40th anniversary in addition to an unchanged dividend of D.M. 8 per share.

In 1988/89 the bank boosted its net worth due to a rights issue plus retained profits by D.M. 123 million to D.M. 887 million which resulted in a capital ratio of 4%.

IKB specializes in long-term lending to commercial enterprises in West Germany. It is the only national bank in Germany that works exclusively for corporate clients. IKB's wide range of services includes export finance, loans to finance investments in European countries outside Germany, fixed asset and real estate leasing, and M & A financing. IKB's new annual report contains a special report on corporate taxation in Germany and the planned tax reform. The report is available upon request in English or German.

## NATIONALE-NEDERLANDEN

Nationale-Nederlanden is one of the world's leading insurers with 26,000 employees in 22 countries. Its stock is quoted on the Amsterdam, Paris and Geneva stock exchanges.

In the first nine months of 1989 revenue increased by 18% to D.Fls. 17.2 billion and net profit by 29% to D.Fls. 620 million. Total assets increased from D.Fls. 82 billion on 31 December 1988 to D.Fls. 93 billion on 30 September 1989. During the same period capital and surplus advanced by 30% from D.Fls. 7.7 billion to D.Fls. 10.0 billion.

For the whole of 1989 the executive board expects a higher profit per share.



## TRANS EUROPE FUND

Trans Europe Fund - quoted on the Amsterdam Stock Exchange - is one of Europe's fastest-growing open-end investment funds. It offers investors diversified participation in companies based in the European Community, Scandinavia and Switzerland. The management bases its policy on fundamental investment and macro-economic research and follows an active and alert investment approach, anticipating future developments with a close view to the effects of Europe's integration. For more information contact: ABN-de Neufilze international Investment Advisory Co. BV, Box 669, 1000 EG Amsterdam, the Netherlands. Telex: 10387 ABNIR NL. Fax: 31-20-294736.

## WESTPAC BANKING CORPORATION

Westpac Banking Corporation is Australia's largest financial services group, with assets of almost \$109 billion (US\$84 billion).

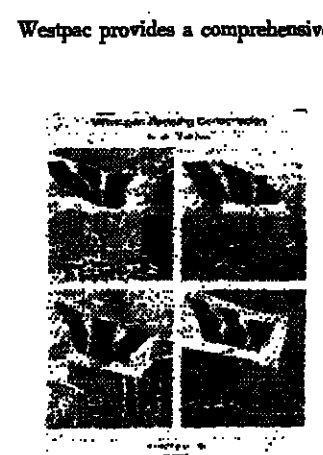
It operates through over 2,000 points of representation in Australia, New Zealand and 28 other countries, and employs 48,000 people.

Westpac provides a comprehensive range of retail and wholesale banking services through its domestic and international network, including major offices in New York, London and Tokyo.

Westpac's home exchange is Sydney (WBC) but in March it became listed on the New York Stock Exchange as well (WBK).

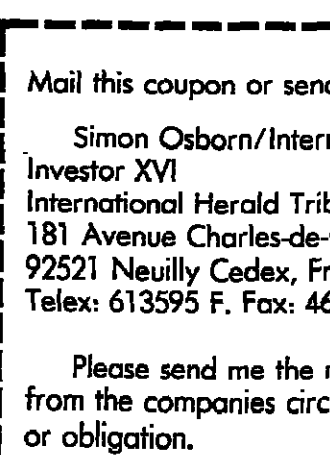
It is also listed on the London, Tokyo and New Zealand stock exchanges.

Net operating profit for fiscal 1989 was A\$791 million (US\$613 million), an increase of 34% over the previous year.



## The Royal Bank of Scotland Group plc

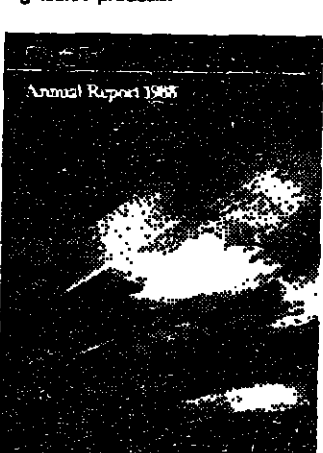
The year to September 30, 1989 has once again been a successful one for the Group despite the slowdown in the U.K. economy which I predicted in my interim statement. This has continued and indeed intensified. Against this background, we have considered it prudent to make a number of provisions in respect of customers who are experiencing problems. Following these, we have recorded an increase in profit of U.S. \$44.2 million to U.S. \$546.0 million which, in the circumstances, is highly satisfactory. From this figure we are deducting an exceptional specific provision in respect of lending to countries in payment difficulties. This represents the culmination of a programme commenced in 1986 and we do not consider that any further exceptional provision for this class of lending should be required. A profit of U.S. \$239.3 million remains after taxation which enables us to recommend a final dividend of U.S. \$0.06 per share, to give a worthwhile increase of 20% for the year.



Annual Report 1989

## SKF

SKF is the world market leader in rolling bearings with operations in 130 countries and total sales in 1988 of 21,248 million Swedish kronor. The Group has a 20 per cent world market share, excluding China and Comecon. While rolling bearings account for four fifths of the sales, the Group also manufactures and sells grinding machines, cutting tools, components and systems for aircraft, linear motion materials handling and textile machines, as well as many other mass-produced precision engineered products.



Operations in the field of rolling bearings have been restructured to provide for improved customer-orientation. The results have been positive with the growth in SKF's volume exceeding that of the market both in Europe and the U.S.

The SKF share price developed favourably during 1988 with the price of the unrestricted B share rising from 233 kronor at the beginning of the year to 398 kronor at year-end.

The Board of Directors proposes an increased dividend of SEK 14.00 per share. It will also recommend a four for one stock split at the Annual General Meeting.

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## ***Asia Frets Over Satellite Delay*** **China Inquires About** **Chinese Launch Program Threatened by U.S. Sales Ban** **Loan Under 1985 Pact**

The won soared to a record 665.9 in late April, but with the dollar firming and South Korean export growth dwindling, it gradually fell back to Tuesday's 675.10.

Referring to the telecommunications

One of the satellites, owned by Asia Satellite Telecommunications Ltd. of Hong Kong, is scheduled to

However, Mr. Bush is facing a wave of criticism in Congress and elsewhere for allegedly attempting to repair relations with China by

# Vietnam Eco

## Economy Recovers

high triple digits in 1988, had been cut to a rate of 2.8 percent by reducing

## Wool Outlets Gain in Exports By Australia

## Vietnam Economy Recovers, Slowly

moved closer on equipment standards and testing and on purchase and sale methods, but were divided on services. The United States has given South Korea until February

sales to rise 56.2 percent, to 600,000 vehicles, with 370,000 in domestic sales, up 60.9 percent, and 230,000 in exports, up 44.4 percent. Daewoo Motor Co. plans to sell

Dealers expect the OTC market to get off to a slow start, with cheap bank loans continuing to attract smaller

Aussat, which is 75 percent owned by the Australian government, "remains confident" that the export license will be cleared by

Businessmen have complained that infrastructure problems deter foreign investors. Power outages

Finance Minister David Caygill told a news conference that the document was open for public submissions but added that the government had already decided to ex-

He did not say whether or not the proposed tax program would increase revenue.

slump to 4 billion dollars in the current fiscal year — a plunge of almost 50 percent in value terms — because of lower wool prices and a decline of about 21

**deducted before it is taxed.**

Div.	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E	P	S	High	Low	F	P	S	Y	F	E
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# SAUDI ARABIA

## INVESTING FOR THE FUTURE

### Joint Ventures Herald Technological Era

In less than two decades the face of the Kingdom of Saudi Arabia has changed beyond all recognition. Today it is the most modern and advanced state in the Middle East, and on the verge of entering the technological age. With a relatively small population, Saudi Arabia's human resources are sparse, so planners have opted for development partnerships with Europe, America and the Far East to carry it forward into the 21st century.

By capitalizing on its oil wealth, Saudi Arabia is encouraging Western companies to make the most of its low-cost energy and hydrocarbon downstream products.

Practically all the major support facilities and basic infrastructure — roads, telecommunications, ports and airports, power generation, water supplies and industrial parks — have been completed. Their development has been spearheaded by the Royal Commission for Jubail and Yanbu, which has built two

#### Defense offset programs provide \$30 billion boost

huge industrial cities on either side of the kingdom.

With over \$30 billion invested in constructing the cities, infrastructure and primary refining and petrochemical plants, the search is on for investment in secondary industries. At Yanbu, dozens of support industries — metalworking, paint and glass fiber manufacture, vegetable-oil processing and many other similar activities — are operational. Dr. Talal Ali Al-Shaer, chairman of the Yanbu Chamber of Commerce, says there are plenty of investment opportunities and ample supplies of raw materials to ensure profitable industrial development.

Across the kingdom in the Eastern Province, at the Chamber of Commerce and Industry in Dammam, Hamdan M. Al-Sorailhy, secretary-general, is equally optimistic about possibilities for the future in Dammam and the surrounding area as well as in Jubail, which is probably the largest petrochemical processing complex in the world.

"We want investors from overseas to come here and see for themselves what we have to offer — and we are here to help," says Mr. Al-Sorailhy. The Eastern Province is the economic heartland of the kingdom. It is where most of the oil has been discovered, although considerable finds have recently been confirmed near Riyadh.

Saudi Aramco, the restructured oil agency, has its main operations at Dhahran near Dammam. Between 1973 and 1980, Saudi Arabia

acquired 100 percent ownership of Aramco from its American partners. Last year, by royal decree, it re-emerged under its new name with a new chairman, Hisham M. Nazer, minister of petroleum and mineral resources. Similar reorganizations are going on in the marketing and refining activities of the kingdom's oil and gas resources, notably with the creation of SAMAREC (Saudi Arabian Marketing and Refining Co.) out of PETROMIN's (General Petroleum and Mineral Organization) principal subsidiary operations. SAMAREC is modeled on the successful Petroleum organization, which has been marketing lube oils globally. This agency was established as an umbrella for a whole range of subsidiary outlets.

While the Organization of Petroleum Exporting Countries continues its debate on quotas, the kingdom's own production has been steadily rising. According to recent reports from Reuters, output is now well over five million barrels a day.

Industry sources in the Eastern Province say that Saudi Aramco has prepared plans for substantial increases in oil output between now and 1997. In two years' time, crude oil production is expected to rise to 7 million barrels a day, reaching 10.7 million barrels a day by 1997. Many of the old wells that were shut down to limit production five years ago are being reopened, existing pipelines are being extended and new ones laid and tank farms are being overhauled and repaired.

At the International Herald Tribune's "Oil and Money" conference in London recently, Mr. Nazer, who gave the keynote address, confirmed the magnitude of his country's oil resources. "The oil reserves of Saudi Aramco have risen to 252 billion barrels, so the Saudi base of proved recoverable oil reserves continues to represent around 400 times our worldwide sales of refined products. This figure is further enhanced if we take account of the reserves recently discovered near Riyadh," he said.

Joint ventures and rationalization of interests are main factors in the kingdom's strategy for down-

stream integration. Recently it announced a 50 percent holding in Texaco's refining and marketing operations on the east coast of the United States: Star Enterprise, a deal worth more than \$800 million.

Said Mr. Nazer: "We have had more than a decade of experience of joint ventures within Saudi Arabia with industries from all over the world in the petrochemical and other industries. All of these ventures are operating efficiently and have found profitable markets the world over. For us it is a tested approach."

His sentiments are echoed by Ibrahim A. ibn Salamah, vice chairman and chief executive officer of the Saudi Basic Industries Corporation (SABIC), which has laid the foundations of a new age for the kingdom with its 16 major capital plants in Yanbu and Jubail.

"The petrochemical industry is about to enter a new era with demands on suppliers. SABIC entered the business 12 years ago, and we brought our last plant on-stream last year. Now, as a member of the global petrochemical industry, we are looking forward to the challenges of the 1990s and beyond."

As the kingdom enters a decade of technological development, it is about to receive a \$30 billion boost from the two major defense offset programs with the United States and Great Britain: Al Yamamah and Peace Shield (there is also a minor French deal in the offing).

Britain's Al Yamamah program is finally getting under way with a whole range of projects, from a bio-protein plant to a missile engineering factory. The program closely involves both private sectors with the support of both governments.

The U.S. Peace Shield program is more related to the development of high-tech aviation and defense-related offset projects.

As more oil starts to flow and these offset programs are translated into firm projects, business activity is likely to accelerate rapidly. "We are watching things very closely," says Abdulaziz Kanoo, one of the leading private businessmen in the Eastern Province, where some of the British offset plans are breaking ground. **Anthony Richard**



Urban expressways sweep through the center of Riyadh.

### Oil Sector Plans Stimulate Investment

Western economic analysts often overlook how much Saudi Arabia has developed in such a short time and how generous it has been in its spending on social and physical infrastructure, basic industries and the vitally important hydrocarbon sector. Instead, they dwell on the fact that the kingdom has spent in the last six years half of what it amassed in the previous eight.

Any backward country, as the kingdom was in 1973, would use newfound wealth for those purposes. Misjudgments were made, for which the country is now paying dearly: forecasts on the price, demand and supply sources of crude oil; the cost of operations and maintenance; the intractability of subsidies and their distorting effect on the economy.

When the Saudi economy peaked in 1981, oil was selling at \$40 a barrel and the Saudis were producing 10 million barrels a day. Oil accounted for almost 70 percent of the GDP, which was \$147.5 billion, while imports were running at around \$50 billion a year. In 1988, the country's GNP was about \$72 billion, over 3 percent more than 1987's GDP in real terms. Oil accounted for less than 30 percent of the GDP. Saudi Arabia was producing around 5 million barrels a

day of crude oil, exporting about 3.5 million barrels a day and obtained, according to figures from the Saudi central bank SAMA, around \$16.6 billion in oil revenues.

The country has faced roller-coaster changes since 1981. Total revenue has fallen by more than 75 percent since 1981, but government spending has contracted by only about 50 percent from \$84 billion in 1981 to \$39 billion in 1988. No major cuts have been made in public employment or wages, and no major new taxes imposed. The government continues to subsidize agriculture, energy, education and other social services.

The real change in the autumn of 1989 has been in the attitude of the private sector. The new optimism stems primarily from the oil sector's development plans, which foresee expenditure of about \$15 billion over the next five years and about

\$36 billion in all over the next 10 years to increase sustainable oil production capacity to 10 million barrels a day. It also looks to a successful conclusion of plans to lease to the U.S. Strategic Petroleum Reserve 1 billion barrels of oil at \$1 a barrel a year, which, if used, would be paid for at the price of the day.

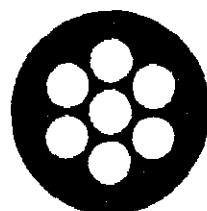
For the past four years, the government has been demanding that the private sector take over more of the country's economic development and plow some of its vast wealth back into the kingdom, thus helping to solve the government's cash-flow troubles. Estimates suggest that private Saudi citizens hold as much as \$60 billion in overseas portfolios and real estate. But the private sector, reeling from the effects of the 1986 recession, was in

Continued on Page 18

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## Banks Reporting Healthy Figures for Last Year

"The banks are doing very well this year. Interest rates are up. The level of free deposits is steady. Normal corporate and retail business is strong, and the bulk of provisions have been made," says the general manager of a major Saudi/foreign joint-venture bank. In 1989, commercial banks have recovered from the steep downturn in business and profits that followed the 1986 oil-price collapse.

Most of the big Saudi banks reported upbeat figures in 1988, though not necessarily declaring dividends because of further heavy provisioning for nonperforming loans and bad debts. Their unaudited figures for the first nine months of 1989 have shown better preprovision profits, and most expect to declare a dividend this year. They have cleared up their portfolios and are mainly well reserved (though some still have provisions to make) and are highly liquid.

Saudi bankers now say that their fortunes will continue to improve through the 1990s. New business is already coming in from the Eastern Province, where Saudi Aramco is developing its program to expand crude-oil sustainable capacity. Other areas of new growth are the petrochemical projects, through both the mainly government-owned Saudi Basic Industries Corp. (SABIC) and the private sector, and the spin-offs from defense deals, including offset investments. Further ahead, bankers look to renewed domestic activity from the higher demand for Saudi Oil during the mid-1990s.

Saudi Arabia has 12 commercial banks: two big, older local banks, National Commercial Bank (NCB) and the Riyadh Bank, and the joint-venture banks Saudi American Bank (SAMA), Saudi British Bank,

Saudi French Bank, Saudi Dutch Bank, Arab National Bank, Saudi Cairo Bank, Saudi Investment Bank, United Saudi Commercial Bank and Bank al-Jazira. A newcomer, but very widely used, is the local Al-Rajhi Banking & Investment Corp., transformed from the country's leading money changer to a bank run on Islamic principles. Saudi Cairo Bank, after being in bad shape since the early 1980s, is at last looking profitable.

The biggest bank in the kingdom is the National Commercial Bank, a private partnership still mainly owned by the Bin Mahfouz family. Until the Al-Rajhi enterprise became a bank, NCB had the most widely distributed network, with over 200 branches. As a private bank, it is not constrained by SAMA to produce quarterly unaudited figures. Its last figures (for a 16-month period bringing its financial year into line with the Gregorian calendar) reported total assets of SR79 billion (\$21 billion) and an operating surplus of SR965.9 million, all of which went into loan-loss provisions. Its total assets are nearly double that of Riyadh Bank, the next-biggest Saudi bank.

The kingdom's central bank, the Saudi Arabian Monetary Agency, closely controls the banks, financial instruments and the country's fi-



Riyadh: tree-lined main street with Saudi American Bank on right.

financial policy. This year marked a turning point: the Saudi government, through its Public Investment Fund, went to the local market to borrow dollars. The \$660 million syndicated loan was taken up by the domestic banks, led by the NCB.

Despite gripes by some Saudi bankers that SAMA is old-fashioned, in 1988/89 the bank implemented the SWIFT electronic payments transfer system in the record time of one year. "SAMA is responsive to new initiatives," says a long-time expatriate banker, citing its support for the development of mutual funds in both Saudi riyals and international currencies.

Improved bank performance has been in part attributable to SAMA's Banking Disputes Committee. "Debt collection is now better than ever before," says a Saudi banker. The committee has provided a real service to banks by spot-

lighting debt and debtors. The banks, with SAMA's cooperation, have also been compiling a "special list" of bad debtors. Those on the list are theoretically precluded from any banking services with other banks. Some big debtors are slowly settling.

Bank liquidity continues very high, having increased for the second year in a row. Liquidity in the kingdom is mainly determined by fiscal policies, but the government

has not used the monetary tools available to adjust either its short-term interest rates. SAMA has the statutory authority to set legal reserve requirements, impose limits on total loans and regulate the minimum ratios of domestic assets in the banks. But it has not yet used these powers to affect the volume or distribution of bank credit in the economy. As government spending largely determines the growth in money supply and as spending has been tighter in the last two years, money supply has risen slowly.

To help fund the current government expenditure, since June 1988 SAMA has been issuing fortnightly "development" bonds, of which SR42 billion were issued in 1988. The commercial banks probably take less than one-third of each issue, arguing that their yield is not competitive enough with U.S. Treasury bills. Major players in this market include the kingdom's two local banks, NCB and Riyadh Bank, plus Saudi American Bank (SAMA), Saudi private/U.S.'s Citibank and Arab National Bank (Saudi private/Jordan's Arab Bank). The other two-thirds of the issues have been underwritten by government institutions such as the General Organization for Social Insurance and the state Pension Fund. In general, the banks have been poor purchasers, while the government through SAMA has been a poor performer in developing a secondary market. "Anyway, Saudi investors are now more interested in buying and selling Al-Rajhi and SAMA shares on the stock market than in buying

government bonds," explains a banker.

The banks see major expansion in the growing retail business; in marketing investment services for private individuals and corporates, such as selling mutual funds, where NCB led the way; and in other forms of private banking. The past two years have seen Saudi banks expanding internationally: NCB, Riyadh Bank and SAMA all have branches in London, and Arab National may follow suit. At home they have invested in technology. They are modernizing systems, cutting costs and increasing branch networks. With SAMA planning to operate a nationwide ATM clearing system by March 1990, banks such as Riyadh and Saudi Cairo are hurrying to install ATMs in order to link in. SAMA, the Saudi/U.S. bank, is converting its ATM cards to be compatible with Visa cards and introducing electronic funds transfer as part of improving consumer banking services.

The specialized institutions in the kingdom, whose combined outstanding loans triple those of the commercial banks, are the Real Estate Development Fund, the Saudi Industrial Development Fund, the Public Investment Fund (which was much more active in 1989 than in 1988), the Saudi Arabian Agricultural Bank (loans to agriculture and related services) and the Saudi Credit Bank (interest-free loans to low-income groups). However, government contributions to the funds have largely ended.

Caroline Montagu

## Oil Sector Plans

Continued from Page 17

no mood or position to cooperate.

With the recession now mostly past, private busi-

nessmen are again looking at investment and trading opportunities. These have received some stimulation from the offset investment requirements of the two major defense deals, the U.S. Peace Shield and the British Al-Yamamah. Real-estate prices are rising and stocks are moving faster.

The private sector is changing its perspective from short-term gains in trading to longer-term returns from industrial development. A different attitude is apparent, in part due to the success of existing industry and easier access to industrial inputs—not to mention the sobering effects of recession. Private business is showing interest in the chemical sector, spearheaded by Saudi Basic Industries Corp. (SABIC) and its foreign joint-venture partners. Saudi businessmen are now looking to world-scale aromatics plants, chemical intermediates, food processing and service industries, notably in the operations and maintenance fields.

Right now the government needs all the help it can get. It has run a current-account deficit since 1983 and has already

drawn on around \$80 billion of hard-currency reserves to balance the books. The 1988 deficit was estimated at around \$9.7 billion, and in 1989 it will be around \$7.2 billion. The strain and drain on reserves has been immense. Some sources suggest the foreign realizable reserves may, as of late 1989, be as low as \$35-40 billion.

The government's ability to cut spending is very limited. The budget for 1989 has been held at the same level of 1988's SR141 billion (\$37.6 billion), but there are indications—despite denials—that it may already have been spent. Certainly the country has pulled out of the dark days of the 1986 recession, but since government spending is the main motor for the economy, substantial cutbacks in the 1990 budget could have fresh recessionary effects.

To counter the drain on the reserves, the government in mid-1988 introduced zero-rated discounted "development" bonds for sale to the financial sector. The commercial banks have been slow takers, and the bonds only moderately successful. Some SR42 billion were issued in 1988 and only SR29 billion purchased; the response in 1989 is thought

to have been even more disappointing.

In July 1989, the government altered course and for the first time in more than 30 years borrowed externally: a \$660 million five-year syndicated loan from its commercial banks on behalf of the state-owned Public Investment Fund (PIF).

Now that the government has taken this first step, Saudi bankers are expecting further borrowings on behalf of such state-affiliated organizations as Saudi Aramco, the airline Saudia or the oil marketing company SAMAREC. Pressure on the government to sanction more borrowing must be high; another budget needs to be prepared by the end of December. A recent spate of contractors' payments by the government may improve its credit standing worldwide but will do nothing for its books.

Longer-term prospects for the Saudi Arabian economy are much rosier. Most analysts agree that by the mid-1990s there will be greater demand for OPEC oil. If so, Saudi Arabia will be a major beneficiary. The government's headache is to manage the next three to five years of public-sector cash-flow shortages without a financial crisis.

Caroline Montagu

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**REF**

The First Lub Oil Refinery  
In The Kingdom Saudi Arabia

**Introduction**

It is practically known, from the scientific point of view, that mechanical friction between bodies results in heat energy proportional to the degree or extent of friction. However, it is easy to reduce the rise of body temperature due to friction, as well as the wearing away thereof by applying slippery insulating layers which facilitates the smooth movement of frictioned bodies.

Such layer is well represented by "lubricants".

**How To Obtain Lubricants?**

1. Crude oil is pumped out from deep wells to the refineries where it is processed to produce indispensable fuels for running all ways of machinery. The last of refining process results in a heavy residue, containing base stock oil components, which can not be further processed. This residue is then pumped to the refinery and is further processed to produce base stock oil.

2. The base stock oils produced by Luberef, since oil taken by the blending plant is mixed and will be blended with the addition of some additives to produce lubricating oil ready for use by consumers. Lubricating oils play a major role in the safety of different motors and equipment, providing higher efficiency and prolonged life span with less cost.

**REF**

**IN BRIEF**

LUBEREF was established pursuant to the Ministerial Resolution No. 382 with a view to meet the Kingdom's local market demand of base stock oils.

The refinery was officially inaugurated on 14/4/1398H corresponding to 23/3/1978 by the Custodian of the Two Holy Mosques, King Fahad Bin Abdul Aziz then Crown Prince.

70% of the shares are held by Petromin and 30% by Mobil.

LUBEREF was designed to produce 1,000,000 BBL base stock oils annually. The actual production was commenced on 01/02/1398H corresponding to 10/01/1978.

In 1984 the LUBEREF's design capacity was increased by 20%.

The total production since its operation until 12/12/1988 amounted to 16,434,000 Barrels in a continuous operation of 4008 workdays corresponding to 4,542,192 manhours.

The percentage of Saudi manpower has been increased from 10.3 at the start of operation to 25.5 at the end of 1988.

The first refinery with foreign capital partner ship to be executed during the second five-year plan.

The first major industrial project which operates continuously for about eleven years without occurrence of a single lost time injury to any of its employees.

مكتبة من الكتب



## ADVERTISING SECTION

## ADVERTISING SECTION

## Petroleum Marketing Process Being Refined

By the time the current Oil Minister Hisham Nazer took office in 1986, it was clear that reorganization was badly needed, if only to sort out what Aramco's and Petromin's roles were.

Aramco was effectively nationalized in 1980, while Petromin had taken on new interests, particularly in refining for the export market. However, little could be done until the anomalous legal position of Aramco was sorted out. Although assets in Saudi Arabia had been taken over by the state, equity in the U.S.-registered parent remained in the hands of four multinational oil companies. The result was akin to mixing freehold and leasehold titles.

This situation was finally sorted out in November 1988 when Saudi Arabian Oil Co. was formed. All upstream (exploration and production) assets were then put into the hands of Saudi Aramco (basically the old Aramco) together with some Petromin pipeline assets. Other Petromin holdings were transferred to the newly formed Saudi Arabian Marketing & Refining Co. (SAMAREC), although some had previously been merged under a variety of other names. Anomalies remain, however: Aramco's Ras Tanura export refinery is still operated by

For decades, the old Arabian American Oil Co. (Aramco) ran all aspects of the industry in Saudi Arabia. Then, in the 1960s, state firm General Petroleum & Mineral Organisation (Petromin) gradually took over everything involved in domestic marketing and refining.

Saudi Aramco even though all refining, in theory, is now controlled by SAMAREC.

When SAMAREC was formed at the beginning of 1989, it took over the domestic refineries at Jeddah, Riyadh and Yanbu. Various Petromin marketing affiliates were also absorbed, as were the company's stakes in export refineries run in joint venture with private-sector firms from overseas. The then recently formed Saudi Petroleum International likewise became a SAMAREC affiliate, together with shipping, chartering and storage interests run by Petroship, Bolanter and Vela. And Star Enterprise, the 50/50 joint-venture refining-and-marketing business set up with Texaco in the eastern U.S., also now reports through SAMAREC.

At home, the first SAMAREC task is refinery modernization. Local demand for oil products is rising fast, almost all in the form of middle distillates (kerosene, gasoline and

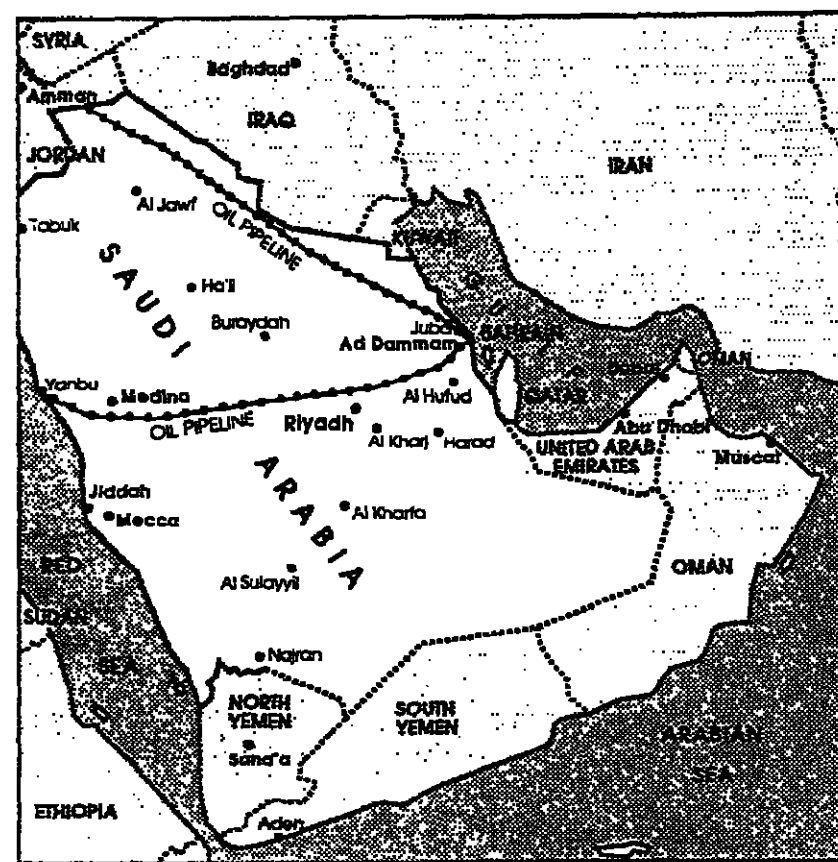
gasoil). The refineries are, however, unsophisticated, producing large amounts of unwanted fuel oil. The latter is mostly exported, while light product is bought in from export refineries or Aramco's Ras Tanura plant.

Domestic refineries, being older and less adaptable than the newer export plants, run under capacity. This results in higher unit costs. Also, marketing product from export plants becomes difficult if offices in, say, Houston or London don't know how much of what product is going to be available at any given time. The problem may well be exacerbated when the huge 325,000-b/d Rabigh refinery comes on-stream early in 1990. This was designed a decade ago, is totally unsophisticated and, consequently, will turn out a range of products completely unsuited to modern needs. Now Samarec is mulling a \$1-billion upgrading scheme, even before the plant starts up.

To some extent, more stable marketing is now being achieved by operating domestic and export refineries as one unit. In the past, keeping the two totally separate led to chaos on occasion. Now product exchange can be planned well in advance. As a result, around 80 percent of SAMAREC's exports are currently sold on long-term contract. Export refineries, however, continue to be run as autonomous units.

Because of foreign investment, lube-oil production and marketing have stayed outside SAMAREC's orbit. Formed early in 1988, Petro-lube took over the 100 percent Petromin-owned lube-blending operation at Jubail and the two blending plants at Jeddah and Riyadh run as a joint venture between Petromin (71 percent) and Mobil (29 percent). Petro-lube retains the same joint-venture structure, though SAMAREC replaces Petromin. Luberef — in which Mobil holds 30 percent, Petromin (now SAMAREC) 70 percent — declined to join this venture, as lube-oil refining, rather than blending, remains a separate entity.

To some extent, the new firms will act as holding companies, with operating arms being fairly autonomous. Nevertheless, by centralizing policy-making in the new compa-



nies — in particular with regard to marketing strategies at home and abroad — the Saudis will be well able to keep up with their competitors on the world oil scene. However, reorganization is by no means

complete, and the coming months could see further changes. The position of Ras Tanura refinery, in particular, remains an anachronism in an increasingly logical structure.

John Cranfield

## Infrastructure Links by Land, Sea and Air

The kingdom's most shining communications achievement is its road network. Featuring expressways between major cities and impressive urban flyover systems, it could easily be the envy of more developed countries.

While road transport is a dominant form of transportation for both passengers and freight, the national air network is also highly developed and accounts for some 20 percent of intercity journeys.

Riyadh and Jeddah airports handle about 80 percent of airline traffic to, from and within the kingdom. More than 20 other regional airports located throughout the kingdom are also able to handle modern airliners, including wide-bodied jets. Airports at Taif, Tabuk, Medina and al-Jawf are among those that have featured in the development. All are served by frequent Saudia services.

The larger airports are among the most spectacular in the world. King

The arteries of any economy are its communications, both within its own territory and with other states. In Saudi Arabia's case, the challenge has been even more daunting in a desert environment the size of Western Europe.

Abdel Aziz International (KAIA), which became operational in April 1981, can accommodate up to 15 million passengers a year. Its 120-square-kilometer area is larger than that of New York's three airports, Chicago's O'Hare and Los Angeles airport put together.

The most celebrated feature of Jeddah airport is its architecturally unique Haj terminal, which provides shelter and hospitality to more than one million pilgrims a year arriving to visit Mecca and Medina.

Three years after KAIA was completed, the even more extensive King Khaled International Airport

at Riyadh was opened in 1983 with facilities planned to accommodate a throughput of 18 million passengers a year.

Saudi Arabia's incredible airport development is not over. Next year the new Eastern Province airport is due to open. Now in its final stages of construction, the airport, serving Dhahran and Al-Khobar, will feature two 4,000-meter-long runways, a 320,000-square-meter terminal and 16 moving walkways. By the early 1990s it will service up to 10 million passengers a year.

Ports development has been another major priority. Modern facilities have been steadily built up at

Dammam (39 berths), Jubail (16 berths), Giza (12 berths), Yanbu (9 berths) and Jeddah Islamic Port. The latter, with 58 berths, has gained international status as the largest port in the Middle East.

Development continues at Jeddah port, where Yusuf Bin Ahmed Kanoo and Nedlloyd of the Netherlands have recently opened a 15,000-square-meter terminal to handle container traffic.

The port, which handled 13.8 million metric tons of goods in 1988, is said to work with a higher throughput per hour than either Tokyo or Los Angeles. However, according to the port authorities, the goal is still to minimize costs, boost revenue and improve efficiency.

Most of the freight landed in Saudi Arabia is carried by road, although the railway linking Dammam on the Gulf coast to the inland container depot at Riyadh also has a healthy traffic load. The present rail network may be expanded to

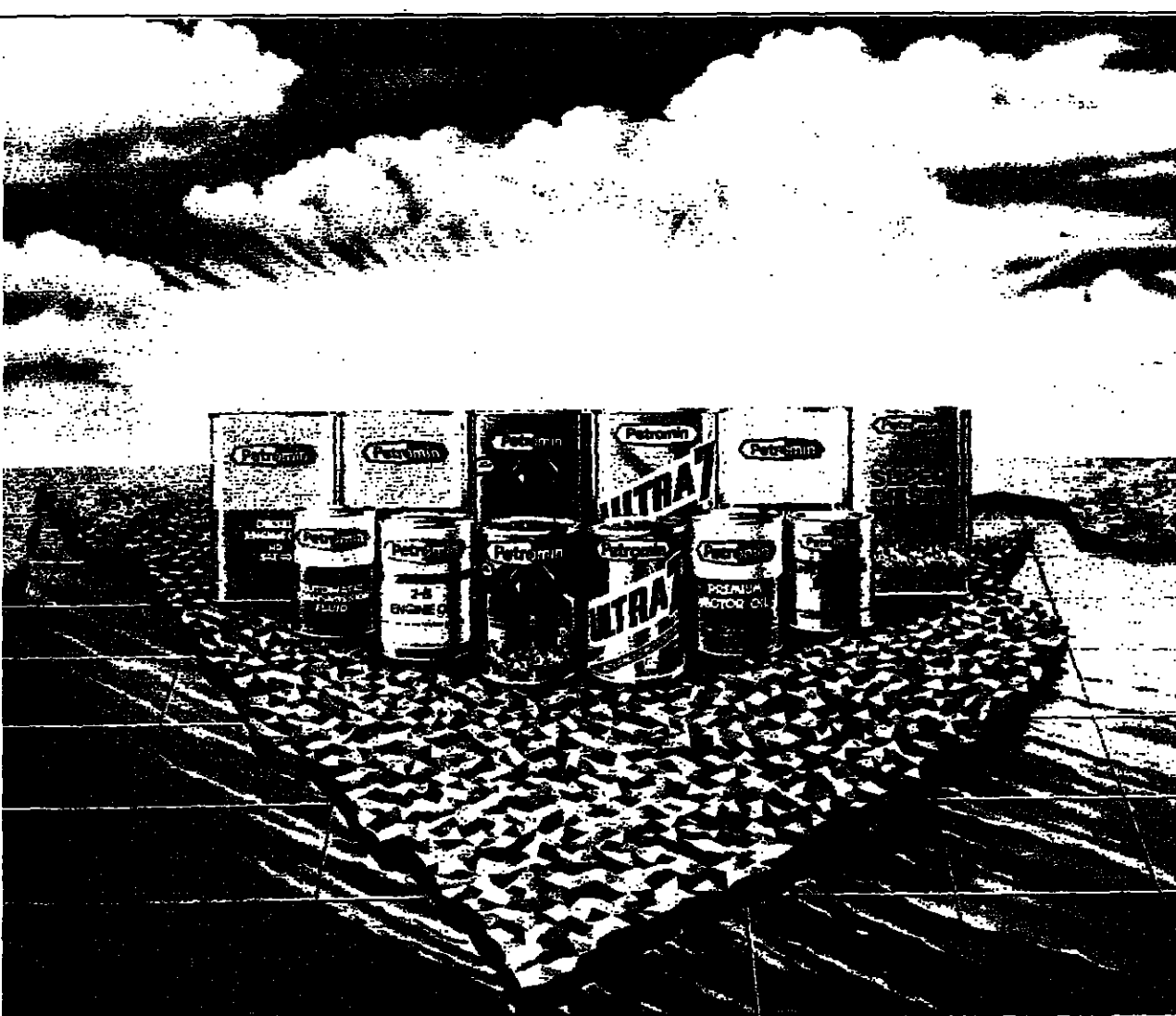


Berge Fister loading LPG cargo at Yanbu terminal.

other cities, including Mecca, Medina and Jubail.

Saudi Arabia's progress has been staggering, both in terms of its scale and the speed with which these projects have been completed. One of the most recent achievements is the

25-kilometer causeway between Bahrain and the kingdom's Eastern Province. The \$564 million causeway across the waters of the Gulf was built between 1981 and 1985 and will be used by some 30,000 vehicles a day. Anthony Richard



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## SAMAREC

(Under Formation)

A message from Saudi Arabia's Minister of Petroleum and Mineral Resources.

Within the context of the strategic objectives set by the Custodian of the Two Holy Mosques, King Fahd Bin Abdul Aziz, to further develop the oil industry in Saudi Arabia, the Board of Directors of the General Petroleum & Mineral Organization (PETROMIN) authorized the formation of The Saudi Arabian Marketing & Refining Company (SAMAREC).

In a recent meeting with prominent Saudi Arabian businessmen, I reiterated the Kingdom's policy for developing a strong and efficient oil industry through sound planning which would be capable of overcoming the many difficulties and cope with the challenges associated with meeting domestic and international demands for petroleum products.

SAMAREC, which came into existence on 1.1.89, has brought together and streamlined all those PETROMIN subsidiaries which were previously responsible for the refining, supply, distribution and marketing of petroleum products, both in the Kingdom and internationally. This significant event was greatly facilitated by the enthusiasm shown by all our staff which will continue to provide the catalyst for the planned development of SAMAREC. Activities are currently being undertaken to implement the organization structure, functions and procedures which will allow SAMAREC to take its place in our industry as a major downstream oil company.

I take this opportunity, as Chairman of the Board, to wish the President & CEO and the staff of SAMAREC the best of luck and trust that their hard work and enthusiasm will bring them just returns not least in the form of satisfied customers in Saudi Arabia as well as in the international oil markets.

Hisham Nazer  
Minister of Petroleum & Mineral Resources  
and Chairman of the Boards of  
PETROMIN & SAMAREC

## Private Sector Key to Offset Deals

Great Britain's offset proposals relating to its £5 billion (\$7.8 billion) Al Yamamah defense deal with Saudi Arabia differ considerably from the U.S. Peace Shield arrangements. Rather than a set of defined contractual obligations, they comprise a loose set of commitments of intent. They also embrace a far wider range of both civil and defense ventures. Ultimately, they involve a greater and longer-term commitment to investment in the kingdom.

The Al Yamamah defense contract is the result of a memorandum of understanding signed by the British and Saudi governments in September 1985. This was followed by a firm contract six months afterward and by another formal understanding in July 1988, which vastly extended the scope of the original deal.

The new agreement is expected to lead to contracts valued at £10 billion over 15 years. According to

## Offset initiatives mobilize British and Saudi capital

the British Ministry of Defense, it will significantly enhance the kingdom's existing defense capabilities and involve the supply of additional aircraft, a construction program and specialized naval vessels. Unlike the first memorandum of 1985, the latest agreement states categorically that it "also involves a positive and constructive Economic Offset Program."

A marked difference between Peace Shield and Al Yamamah (the word refers to the heartland around Riyadh) is that in the U.S. case, various contractor groups have been left with direct responsibility for implementing their offset programs. Because of Al Yamamah's size and complexity, and Saudi insistence, the British government has accepted responsibility for the program, but is relying on the private sectors of both countries to implement the offset side of the bargain.

Both the British and Saudi governments are providing support and assistance to a wide range of prospective ventures, but cannot them-

selves direct companies to invest. Proposals made on the British side so far include a missile engineering plant to maintain a range of weapons, particularly those associated with Tornado and Hawk combat aircraft being supplied by British Aerospace.

In the military sector, the establishment of a munitions plant with the help of BAE's subsidiary Royal Ordnance has also been proposed. In the civil area, BAE has suggested taking an equity stake in the planned Aljain aluminum smelter at Yanbu, as well as taking up part of the production of the private sector development project.

Technicare International and Fryma Fabrics of Great Britain have proposed joint ventures to provide, respectively, computer training centers and a polyethylene-yarn plant.

The Saudi Economic Offset Committee recently gave authorization for a missile engineering facility. It also approved the participation of Rolls-Royce in Peace Shield's Middle East Propulsion Center. Data-led feasibility studies and equity structures can now be finalized.

BAE is also awaiting approval to participate in Al Salam Aircraft Company, another Peace Shield project. This, it argues, would allow it to deal with British aircraft being supplied under the Al Yamamah program. For its part, Boeing Industrial Technology Group (BITG) agrees there is no sense in proliferating aircraft maintenance activity.

BITG's president, Claus Claesson, comments: "There are obviously synergies. Al Salam will have to

view the Al Yamamah program as a source of business and would like to service Tornado." The advantage for British interests is that investment in the venture will count as an Al Yamamah offset.

The overall British target is to achieve £1 billion in private sector investment in Saudi Arabia during the life of the offset program. Depending on developments in the second phase of Al Yamamah, implementation is likely to run well into the next century.

The Saudis have attached great importance to the success of the offset initiative. It is seen as a means of mobilizing British and Saudi private capital, developing the economy and reducing its dependence on hydrocarbons, and finally of creating career opportunities for the kingdom's young and growing population.

For Great Britain, the progress achieved on offset investments will represent a key element in its future relations with Saudi Arabia.

Douglas Home's reference to France concerns the agreement signed in June by Saudi Defense and Aviation Minister Prince Sultan and French Defense Minister Jean-Pierre Chevènement on a FF18 billion (\$2.95 billion) contract for the supply of warships and Mistral missile systems.

As with Al Yamamah and Peace Shield, a definitive contract will inevitably involve a commitment by France to provide offset investments. British and American interests wait to see if Paris will follow the path laid down by others.

Anthony Richard

## Cable: Prime Example of New Industry

Saudi Cable Company is one of the most dynamic examples of technology-based enterprises in the kingdom's new industrial base. Since its formation in 1975, SCC, which is part of the Alireza family's Xenel group, has established itself as the leading manufacturer of cable products in the Middle East. It is one of the kingdom's foremost private-sector companies.

Saudi Cable Company was set up to supply the Saudi market with high-quality electrical wire and cables for power transmission and distribution for both housing and industry.

SCC President and Managing Director Omar Khalifa estimates the company has contributed some SR3 billion to 4 billion (\$580 million to \$1 billion) in import substitution to the Saudi economy in the last decade.

One of the biggest achievements for the company, he says, was that "we were able to put the project together at all at a time when infrastructural development in the kingdom had barely begun." Since then, sales have grown from \$4 million to \$196 million a year.

SCC has worked hard to develop its opportunities. A primary aim has been training its Saudi work force. There are now 250 fully trained Saudis holding responsible positions in machine operations, technical supervision, quality assurance, planning, sales and general management.

Since start-up, SCC's Jeddah plant has been expanded to eight times its original size. Copper cable manufacturing has increased from 6,000 to 26,000 metric tons a year. An adjacent factory has been developed for producing up to 19,000 metric tons a year of aluminum overhead lines.

Extensive investments have been made in order to create an industrial complex rather than just a cable factory. Products have been expanded to include medium-tension 35 KV cables for underground installation and high-tension cables up to 380 KV for aluminum overhead lines.

Some 5,500 metric tons of copper telecommunications wire can be produced a year. SCC has expanded into raw-material processing with a copper-rod rolling mill and PVC compounding plant using resin from the Saudi Basic Industries Corporation's petrochemical complex at Jubail. The company also produces

wooden reels and pallets.

The company is also involved in aluminum-rod rolling in Bahrain, where it has a 50 percent interest in Midal. SCC's other major activity outside the kingdom is in Turkey, where it holds a 70 percent share in Demir Kablo, a leading Turkish producer of power and communications cables.

These investments and the continuous introduction of new products has enabled SCC to expand its markets beyond Saudi Arabia and the Gulf Co-

operation Council countries to the rest of the Middle East, North Africa and South Asia.

While exports are expected to account for some 30 percent of sales in the next five years, SCC's home market is of crucial importance for the future. The company looks to steady growth based on the kingdom's extensive long-term rural electrification and telephone expansion plans.

Diversification will also play a part in SCC's future. "We see ourselves

as a company involved in telecommunications, energy, plastics and electrical as well as metal products, and we are also examining the possibility of copper smelting in the kingdom," says Mr. Khalifa. "We are studying the possibility of starting production of fiber-optic cable in the next year. We are also looking very seriously at establishing an electronic assembly plant to supply equipment to the PIT and possibly some of the defense sector's needs."

Anthony Richard

## Ibn Sina's texts were a great source of reference and help to so many for over 500 years.

Abu 'Ali - al-Hussein bin 'Abdallah bin Sina (Avicenna) 980 - 1037  
Master Physician, Philosopher, Scientist and Mathematician

In any age Ibn Sina would have been a giant among giants. He had memorized the Qur'an by the time he was ten and mastered the Arab sciences while he was still in his teens. At seventeen he was an established Physician. After many years of carefully recorded observations examinations and experiments he wrote the "Canon of Medicine" (Al Qanun). The Islamic medical world accepted Canon as its major reference work until the nineteenth century, and the western civilization used the text for more than five hundred years. Because he conceived of medicine as the art of removing impediments to the normal functioning of the body, he studied the mental health of patients and is considered the forerunner of modern psychology.



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## 'Peace Shield' Opens Door to New Technology

The U.S.-Saudi defense contract, signed in 1984 with main contractors Boeing Aerospace and General Electric, represented a turning point in Saudi defense procurement. For the first time, the deal stipulated a contractual obligation for the defense supplier to provide offset.

For Peace Shield this means investment in Saudi-based high-technology projects equivalent to 35 percent of the technical value of the overall \$3.9 billion project. The offset requirement in Saudi Arabia, as elsewhere in the world, has now become standard in negotiations for large-scale defense contracts.

The projects are part of a first phase aimed to provide the kingdom with cutting-edge capabilities in aircraft repair and modification, component and electronics manufacturing and repair, and computer systems engineering technology.

On the U.S. side, investments are being coordinated by the Boeing Industrial Technology Group (BITG), a limited partnership especially established to develop an offset program. BITG includes Westinghouse, ITT Federal Electric, the United Support and Services Company and the Saudi Amoudi Group, as well as Boeing Aerospace. Gen-

Peace Shield is Saudi Arabia's most ambitious high-technology defense program, involving the supply and integration of computers, telecommunications and radars in command, control and communications systems designed to link with the Royal Saudi Air Force's airborne warning and control systems (AWACS) aircraft.

General Electric, the supplier of radars under Peace Shield, is also managing a separate but parallel offset program.

GE's efforts are focused on the proposed Middle East Propulsion Center, drawing on its own experience as well as that of Pratt & Whitney and Rolls-Royce in a unique grouping of the world's three most important airplane engine producers.

Saudi investors in the project, which is designed to provide a full range of engine maintenance and refurbishment services for both civil and military aircraft, include Saudi Arabian Airlines (Saudia), the National Industrialization Company, the Saudi Advanced Industries Company and the Gulf Investment Corporation.

BITG is leading the development of three major investments. Al Sa-

lam Aircraft Company is a \$125 million project for a fully integrated aircraft modification center at a planned aerospace industrial complex at Riyadh's King Khalid International Airport (KKIA).

BITG is also a shareholder in the Aircraft Accessories & Components Company, which was developed from an earlier venture between the British hydraulics specialist Dowty and the local Arabian Aircraft Service Company (Arabasco). The venture is expected to employ some 570 people and achieve sales of \$40 million to \$50 million a year through repair and overhaul services for critical aircraft systems.

Investors in AACC are Dowty, BITG, Saudia, Arabasco and the Saudi Advanced Industries Company. Already installed in a temporary plant in Jeddah, the company

hopes to receive contracts from both the civil and military Saudi aviation authorities. It has already contracted to provide services for the Royal Saudi Air Force's AWACS aircraft.

BITG again features as the leading investor in the Advanced Electronics Company (AEC). The \$160 million AEC project will provide manufacturing and repair facilities for electronic equipment.

The company, currently occupying temporary facilities in Riyadh, already has two contracts, one for AWACS aircraft and the other relating to air-traffic systems definition for the Presidency of Civil Aviation. AEC is also preparing for initial production of military radios, based on technology provided by the Royal company of Great Britain.

BITG is the main investor in International Systems Engineering, whose technology is being supplied by the Boeing Computer Services Company. Six Saudi companies are involved in the SR64 million (\$17 million) company.

All of these projects are related to the first phase of Peace Shield offset investment. According to BITG president Claus Claesson, BITG has not given up on longer-term plans. These include an advanced



Prince Bandar bin Sultan, Saudi Arabian Ambassador to the U.S., at the handing over of the first E-3 AWACS aircraft to the Saudi Air Force.

biotechnology company to develop improved varieties of seeds for arid climates; the production of digital telephone exchanges; manufacture and support of helicopters, including the Boeing Vertol 360; an ap-

plied technology center for new product development; and the establishment of a testing facility for electric power system engineering and high-voltage equipment.

Anthony Richard

## Decade of Development For Petrochem Industry

"Saudi Arabia? It's going to be a real pool of chemicals," said an oil company executive four or five years ago. When the Saudi Basic Industries Corp. (SABIC) doubles its base petrochemicals capacity and Saudi businessmen build their planned plants, the pool will become a small sea.

SABIC has been one of Saudi Arabia's success stories over the past decade. Despite skepticism verging on disbelief from the international chemical industry, SABIC has built a series of world-scale base petrochemical plants, all of which run as efficiently as their OECD counterparts. SABIC's methodology was to enter into joint ventures with major companies that would market the majority of products until SABIC's own marketing skills were developed, as they now are.

The existing plants are split between the new industrial cities of Yanbu on the Red Sea and Jubail

on the Gulf. In Jubail are Saudi Petrochemical Co. (SADAF, SABIC/Shell Oil), Arabian Petrochemical Co. (PETROKEMYA, 100 percent SABIC-owned), Al-Jubail Petrochemical Co. (KEMYA, SABIC/Exxon), Eastern Petrochemical Co. (SHARQ, SABIC/Mitsubishi and others), National Methanol Co. (IBN SINA, SABIC/Hoechst Celanese and Texas Eastern), Saudi Methanol Co. (AL-RAZI, SABIC/Mitsubishi and others), National Plastics Co. (IBN HAYYAN, SABIC/Lucky Goldstar and others) and Saudi European Petrochemical Co. (IBN ZAHRA, SABIC/Enichem, Neste Oy and Api-



YANPET's Yanbu complex reached full production in 1985.

corp). There are also fertilizer and two iron-and-steel companies. In Yanbu is the vast Saudi Yanbu Petrochemical Co. (YANPET, SABIC/Mobil).

SABIC petrochemical products, amounting to 10 million metric tons a year, include ethylene, ethylene dichloride, styrene, polystyrene, ethanol, high- and low-density polyethylene (HDPE and LLDPE), ethylene glycol, methanol, polyvinyl chloride (PVC), methyl tertiary butyl ether (MTBE), butene-1, butadiene and various fertilizers. SA-

BIC now plans to double this to 20 million metric tons in the next five years.

In this first stage SABIC has benefited from three main factors: cheap financing; virtually free feedstock gas, including the vital ethane (it otherwise would have been flared); and high world demand for ethylene and derivatives over the past five years. For the second stage, the last two factors are less certain.

Secondly, the world chemical industry, always subject to cyclical

supply and demand, has probably reached the peak of its cycle. Demand growth for ethylene and derivatives is slated to slow down. SABIC is looking to build two naphtha crackers, one in PETROKEMYA and the other in association with Mobil at YANPET, each with minimum ethylene capacity of 500,000 metric tons a year. If SABIC uses naphtha, with its world market price, as a petrochemical feedstock, it may have problems marketing its product profitably.

The Saudi private sector is also planning major chemical investments. In discussions with the government and with SABIC on commercial viability, Saudi businessmen have asked for good prices for feedstock purchases from SABIC and the ex-Petromin refineries and that SABIC not collar the most profitable chemicals, such as polypropylene.

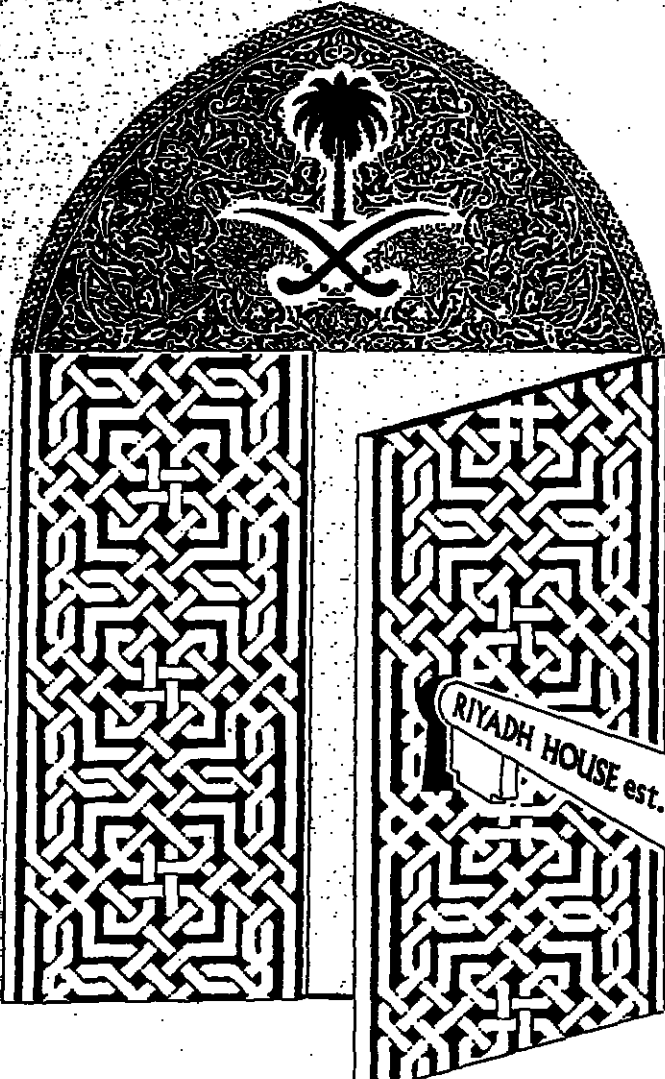
Private businessmen in the Saudi Venture Capital Group have agreed on a joint venture with France's Total-Compagnie Française des Pétroles to build an aromatics plant at Jubail to produce para-xylene and benzene. On the Red Sea coast at Yanbu, another group, Chemvest

International, plans a joint venture with Amoco to build another aromatics plant.

Also on the Red Sea, the private group Xenel Industries is looking at polypropylene production. Other private Saudi chemical projects include production of PET resins and butanediol for thermoplastics.

Selling Saudi petrochemicals to the European Community has been a problem for SABIC because of EC tariffs and quotas. This autumn the community is ending the small duty-free benefits for six Saudi petrochemicals for 1990, which they previously received under the generalized system of preferences. At the same time, the EC is taking a new initiative under the French presidency of the commission to develop a free-trade area between the EC and the Gulf Cooperation Council, of which Saudi Arabia is a member. The GCC has been pressing for this for some years, but one of the major stumbling blocks has been the opposition of the European chemicals industry — and its influence in Brussels — to what it fears would be a flood of Saudi petrochemicals into Europe.

Caroline Montagu



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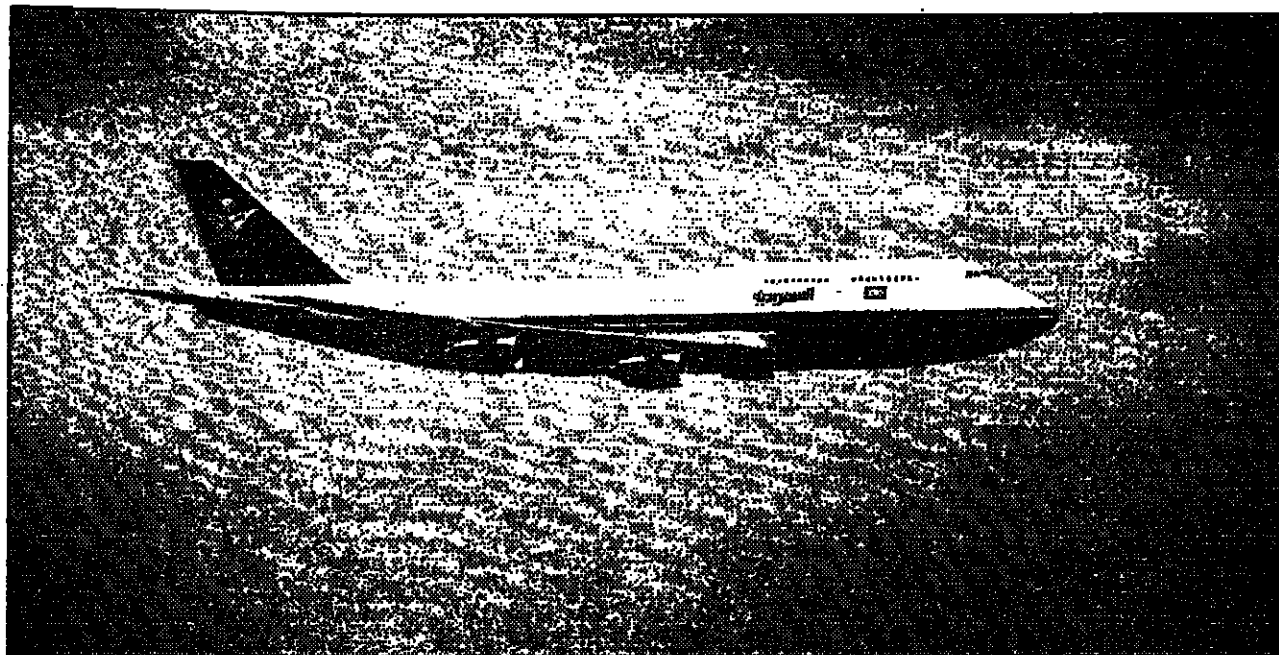
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## National Carrier Reaches for the Skies

Saudia has more than 23,000 employees worldwide and a fleet of 70 full-size jetliners serving 51 international and 23 domestic destinations. It is by far the largest and most progressive Arab airline. "We are standing on the threshold of exciting challenge and development in the environment of coming deregulation," comments a management spokesman in Jeddah.

In 1988, the airline carried 10.1 million passengers on scheduled flights. Of this figure nearly 3.5 million were carried on international routes. The total amount of air freight carried was 179 million kilograms. During the same year the service to New York was extended to Washington two days a week and a new once-weekly freight service was started to Taipei. This year, new routes to Larnaca, Cyprus and Addis Ababa were introduced.

Saudia, the national air carrier, began life in 1945 with a single DC-3 presented by President Franklin D. Roosevelt to King Abdul Aziz. Today it is the world's 15th largest airline.

Saudia's fleet, which includes about 30 small commuter and biz-jets, has 19 B737-200s and 11 A300-600 Airbuses. Twelve months ago it acquired its first Boeing 747-200F freighter aircraft, which can operate direct to the Far East. Saudia is now poised to increase its activity both regionally and further afield.

Another important aspect of

Saudia's business is on-ground maintenance both for its own fleet of Boeing and Lockheed aircraft as well as those of major international airlines using Jeddah airport.

Saudia has wide-ranging engineering capability and experience, including the maintenance of Rolls-Royce RB-211 engines for its own fleet. Its competence is underlined by the certification for aviation safety it possesses from the U.S. Federal Aviation Administration.

The American standards are demanding, and only a handful of airlines in the world have such unlimited certification, reflecting the highest internationally recognized qualifications covering maintenance of aircraft fuselages, communications systems, aero engines and spare parts.

A.R.

## Investment in New Industrial Centers

"We have been fulfilling a dream," says Prince Abdullah bin Faisal bin Turki al-Saud, secretary-general of the Royal Commission for Jubail and Yanbu, summing up the achievements of the commission in building the kingdom's two great industrial cities.

All the basic infrastructure — power, water, communications and waste-treatment plants — is complete. All the primary industries are off and running, and the first, and in some cases second, stages of residential, commercial and social services development have been finished.

Jubail, in the east, is the site of massive petrochemical complexes.

### Promoting the region as an industrial base

Fifteen capital- and energy-intensive primary industries and a steel-works are operational; they have now been joined by more than 50 significant secondary and tertiary industries. The new town now has a population of more than 30,000.

Yanbu, on the Red Sea coast in the west, has been developed as the major pipeline terminal for oil and gas. It is home to Petromin's domestic and export refineries and its NGL fractionating plant, which provides basic feedstocks — ethane, propane and butane — for downstream petrochemical processes. Yanpet's complex uses the ethane to produce a variety of ethylene products. At present, Yanbu's population is just over 18,000, two-thirds of which is non-Saudi. Long-term forecasts predict that the final population of Yanbu will exceed 115,000.

The total investment to date in the two projects amounts to more than \$30 billion, not including the cost of the pipelines that link the two cities across the kingdom. (Almost all the crude oil lies in the

Eastern Province, where Jubail is located.) The Royal Commission invested about half the capital in building the infrastructure.

Says Prince Abdullah: "The idea has been good, the technical planning has been good and many aspects of the industrialization have been especially good — SABIC, Petromin and Saudi Aramco. Now we are moving into an operation and maintenance phase."

Prince Abdullah says that he would like to have seen more direct investment into the secondary and support industries. The government is trying to encourage greater investment and, according to the prince and other planners working for the commission's consultants Bechtel and Parsons Engineering, things are improving.

"We know that businessmen in the private sector have the money here to invest. But as you know, there is also a saying that 'capital is a coward,'" comments Prince Abdullah. "We are now going through a period of experiencing new things, new conditions. These are growing pains. But our businessmen are becoming more mature. You have to remember that we have been through boom periods, in and out so quickly. Money was spent very liberally, much of it on our infrastructure. That is now complete."

The commission is actively encouraging further investments in the downstream petrochemical field, in which it feels international companies are sometimes unaware of investment opportunities. These take the form of tax-free holidays,

cheap power and water and reliable, unlimited sources of feedstock.

The kingdom's location, with major ports on its east and west coasts, makes it an ideal export base for Europe, Asia, America and the Far East.

"A lot does depend on the global petrochemical fields," admits Prince Abdullah. "But it has also taken people overseas to realize that Saudi Arabia could actually be a good base for industry. International companies were not sure in the past that we actually had the capability, but we did, and have invested heavily in petrochemicals — more than in any other country — because it was the natural thing for us to do."

Extensions and improvements are being carried out on a roll-on basis in both cities. At Jubail a natural-gas pipeline is being built to supply the secondary-industry park. This is expected to be completed within the next two years and should help boost further projects by providing an immediate source of feedstock. "Without this availability of feedstock, many of our secondary industries can't reach first base," comments a Royal Commission technical planner. Recent secondary-industry developments include the construction of a factory for National Wire Products (steel wire and related items); Bees'h (Natural Environmental Preservation Company), a waste-processing plant for class I and II wastes; and a formaldehyde plant.

Anthony Richard

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## JCS Offers 'Total Solution' for Computer Needs

The blue-and-yellow JCS logo is a familiar sight on buildings and offices throughout the kingdom, reflecting the company's growth as a leading supplier of computers, software, peripherals and general office equipment. Abdel Rahman A. Al-Jeraisy, founder and chief executive of the Riyadh

"Supplying industry of the future" is the strategic policy of Jeraisy Computer Services (JCS), part of the Riyadh House Establishment.

House Establishment, started the computer services division in 1977. After he acquired the Saudi dealership for Wang Laboratories, the company

grew rapidly. "What we promise, we deliver," says Mr. Al-Jeraisy.

The growth of technology within the kingdom is seen as the cornerstone of

future development by JCS. It considers that increased use of computers can go a long way toward helping solve the manpower problem. It sees a

need for stronger links between business and educational institutions so that students can gain more practical experience in the computer field at all levels. It would be another step toward the "total solution" JCS has to offer.

A.R.

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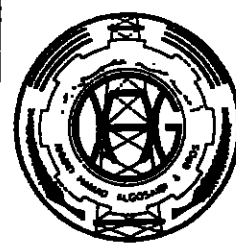
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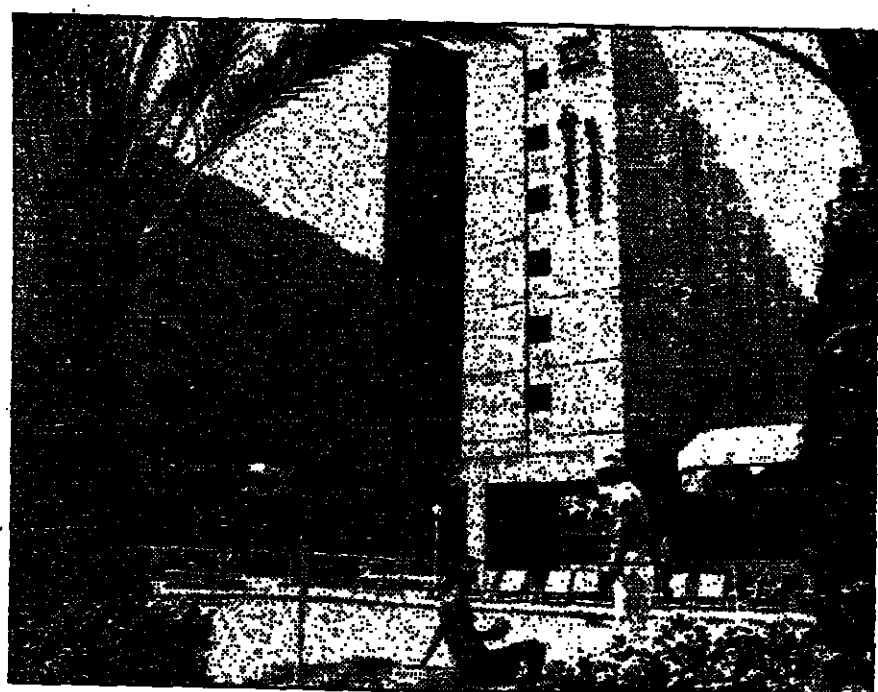
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as well as receptions and banquets. Besides the Al-Boustan poolside cafe, there are two other restaurants. The Al-Ferdous serves local specialties as well as an international menu. It is a regular gathering place for businessmen during the lunchtime buffet. The Al-Nasemm Family Restaurant offers a selection of European, Indian and Far Eastern dishes.

John Serbrock, general manager, says the majority of guests are usually business travelers. "We like to think that we offer them quality service and facilities in a relaxed and informal environment, with a unique personal atmosphere — a home away from home for the discerning business traveler."

A.R.

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The chance to explore is manifest in a country of 850,000 square miles (2.21 million square kilometers), the size of Western Europe or the United States west of the Mississippi. A superb modern highway system can speed the motorist between the main centers in hours, while some 23 airports have opened up previously remote parts of the desert.

There are quality hotels in all the principal cities, featuring management by top international names such as Marriott, InterContinental, Hyatt Regency, Sheraton, Holiday Inn, Ramada, Sofitel, Meridien, Movenpick and others.

Down south, the Asir region is developing as an important tourist area. Because it rises up to

For the business traveler, and for the expatriate resident as well, the kingdom is enhancing its image as a place of cultural interest. Indeed, there are a wealth of tourist opportunities for both short- and long-term visitors.

hotel's private beach along the coast.

One hundred and forty miles north of Medina, toward Tabuk, lies the ancient site of Madain Saleh. Here magnificent rock-carved tombs and imposing temple-like facades similar to the Nabatean settlement at Petra in Jordan can be found. Qasr al-Bint, a great loaf-shaped sandstone rock, alone contains 23 Nabatean tombs.

This year the Sheraton has been offering "Drive into History" packages, including pickup from the airport and accommodation for two nights plus an

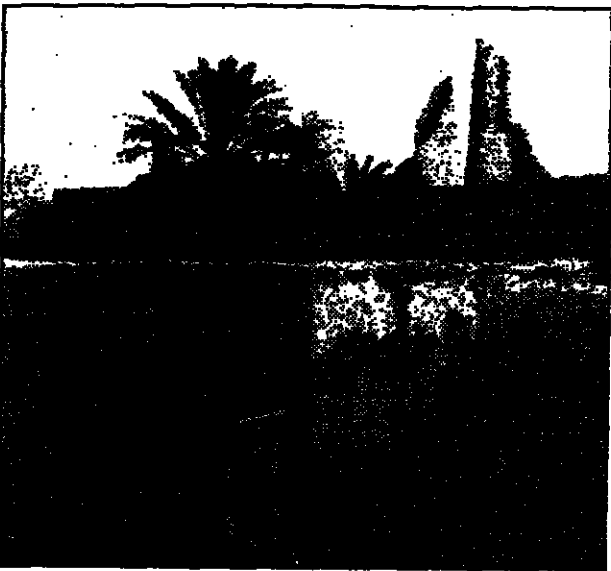
rentance of Arabia over 70 years ago.

One of the most spectacular remains is found

at Hadiya, miles off the beaten track. There in the silent desert is a piece of history: an entire locomotive abandoned when the

line to the north and south was blocked and destroyed. While Saudi Arabia may at first appear forbidding, taking the opportunities that are available can provide rewarding and memorable experiences.

Anthony Richard



Remains of palaces at Dir'ayyah near Riyadh.

3,000 meters above sea level, the region, which displays spectacular mountain scenery, has a much cooler climate and lush features than the rest of the country.

From Abha, the region's capital, the Asir area, modeled on U.S. national parks, can be explored with the assistance of a number of information centers.

The big cities offer much more than just modern infrastructure and hotel comforts and facilities. The remarkable oasis and village of Dir'ayyah, for example, is only a short taxi ride from the center of Riyadh. The area features extensive ruins of palaces, now undergoing restoration. It was here that the ancestors of the present King Fahd ruled Arabia 200 years ago.

A business visitor with free time could easily get out of Jeddah altogether, perhaps arranging to spend a day on the Hyatt

escorted tour to Madain Saleh. On the way, visitors can see remains of the old Hejaz railway, which during the period of Turkish occupation in World War I stretched from Damascus to Medina.

For those with a thirst for adventure it is possible to drive into the desert along the line of the old railroad and discover stations and parts of trains, some blown up by Law-

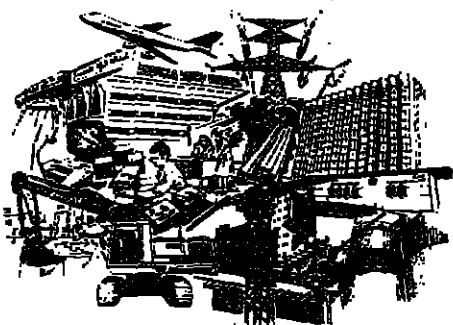


Lifestyle: a new concept in living for expatriates. Above, a the new villa development that forms part of one of Arabian Homes' villages in the kingdom. The company has tried to create a completely new environment within the village so that the expatriate can feel it is a "home away from home." American and British managers ensure the smooth running of the apartments and villas, taking care of every household chore down to changing a blown lightbulb. There are lush landscaped surroundings, swimming pools and a range of recreational facilities, courtesy cars with English-speaking drivers for shopping and sightseeing, a special in-house, six-channel video service and, of course, international direct-dial telephones. The homes can also be used for entertaining and meeting visiting business clients. The management believes that by introducing this new kind of life-style, the expatriate is likely to be more powerfully motivated and relaxed in the daily work routine.

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## SPORTS

## Yesterday's Heroes Arise Again

From Gifts to How-Tos, Video Sports Tapes Are on Fast Forward

By Gerald Eskenazi

New York Times Service

NEW YORK — In grainy, tactile black-and-white, the Mick crunches one of his 536 home runs.

For those of a certain age, as comfortable now in front of television sets as they once were in the bleachers, it is yesterday again. The past remains forever fresh these days thanks to the new, expanding market in sports videos.

The range is eclectic, from the very first game played in the National Basketball Association — in Toronto, yet, where Ossie Schectman of the New York Knicks scored the first two points — to this year's earthquake-delayed baseball World Series.

There are more than 500 mainstream titles to choose from in a market whose annual sales have reached \$100 million. But they are not restricted to the nostalgia boom, which promises to increase yearly as the world counts down to the year 2000.

There are the instructional videos, appealing to the 10-year-old learning to play soccer in her living room by balancing a ball on the top of her head as well as the middle-aged duffer soaking up tips from the Jack Nicklaus golf video that has sold almost 200,000 copies and earned Nicklaus a million dollars.

There are highlight films, of individual teams, tournaments and even players. Then there are the 60-minute bonanzas of things like the greatest game endings, best hockey fights, and the most dazzling basketball dunks. Beyond the burgeoning retail market is the world of video-as-premium, like the 650,000 NBA "Bloopers" tapes that Sports Illustrated magazine handed out this year to new subscribers.

Yet, what can we make of the search for warmed-over memories?

"It's the mentality of sports fans," said Harlan Sugarman, senior vice president for sales and marketing of NFL Films. "They're collectors. They collect bubble-gum cards. It's trivia. It's nostalgia. Now, they can collect videos."

While the how-to—how to hit a baseball, how to tie a dry fly—have its place in the videocassette recorder, the so-called anthology, or documentary, market has had the most dramatic impact. Not everyone can own a Mickey Mantle 1952 Topps bubble-gum card, or possess his autograph, but for \$14.95, you can see Mantle stroke a homer, again and again.

"It's like people buying classic books," said James Cavazzini, the president of Madison Square Garden Home Video. "They want to have a copy of something that is a valuable piece of history."

He pointed out that it also has suddenly become practical to produce sports videos.

Despite the \$100 million in retail sales in the United States alone — which do not include the premiums — sports still is a small percentage of the \$4 billion video industry.

Steve Sabol, president of NFL Films, the outfit that pioneered quality sports films, contends that sports videos "are still hidden in the part of the store where the porno films are." Yet, George J. Krieger, president of CBS/Fox Video, estimates that the sports-video business will increase 20 percent next year and continue to grow through the 1990s.

CBS/Fox is a symbol of how apparent rivals join forces for a symbiotic relationship in this new world. This partnership of two rival television networks even distributes tapes of a third, ABC, which owns the Monday Night Football footage, as well as that of the Indianapolis 500.

"There is a new way of looking at sports videos,"

Krieger said. "You don't only sell them in video stores. You sell them at sporting goods stores and you sell them in clothing stores and at record stores."

Thus, at Gerry Cosby, the huge sports outfitters next to Madison Square Garden, racks are filled with sports videos detailing everything from the New York Rangers' glory days (it is old footage) to how to hit a baseball.

The new market breaks old rules and creates new ones. CBS/Fox, the largest distributor of videos, even includes commercials with its tapes. So the Jeep Eagle logo is on the sleeve of the Detroit Pistons' NBA championship



Remember John Unitas? He and those great Baltimore Colts are playing again, thanks to proliferating video tapes.

tape, along with a sales pitch on the video. These sponsorships enhance the distributors' bottom line.

Because history comes alive simply by popping in a cartridge, it can be an effective tool. So the Los Angeles Raiders have been pioneers among National Football League teams in using tape to acquaint their new players, and season's ticket-holders, with Raider tradition.

"When the players come in for rookie camp, we show them the previous season's highlight film," explained Al LoCasale, the club's executive assistant.

He also gives season's ticket-holders a tape highlighting the Silver and Black's great seasons, stirring displays of crunching Raider hits as practiced by such bad boys as Ben Davidson and John Matuszak.

"After they see that tape, I want people clutching season tickets to their breasts singing 'Onward, Christian Soldiers,'" LoCasale said.

Because it is so easy to put something on tape — a home pirate doesn't need a studio or sophisticated equipment — there is a new sort of video producer out there. He often has quirky things to sell. Such as this one in The Sporting News titled "Hockey Fights Galore." It is described as "Toe-to-toe Battles to Bench Clearing Brawls."

Another ad boasts it has "every Islanders, Red Wings, Bruins, Rangers, and Flyers fight from 1977 to present. VHS or Beta."

Andy Boemer, of St. Paul, Minnesota, and one of the advertisers selling hockey fights, said, "I know a lot about hockey, and my friends and I also like fights. I decided to put them on tape. I get them off my satellite dish."

Officials in the industry say this is illegal because sports leagues own their footage.

Boemer, 26, is also proud of his "Dangerous Moments in Sports," which includes car crashes and downhill-skiing wipeouts. "I've had people call me and tell me, 'You make my parties the best,'" he said with some pride.

In contrast to Boemer, the most extensive operation in the sports video market is the pioneer NFL Films, created by Steve Sabol's father, Ed, now the chairman of the board.

"When we started in 1962," Steve said, "I remember George Halas and Art Rooney telling me that we had two functions. One was to promote the game. The other was, in Halas's words, 'to be the keeper of the flame.'"

Sabol describes NFL Films as "myth-makers." View one of his classic videos — an old Green Bay Packers Super Bowl, narrated by the stirring voice of history, the late John F. Kennedy — and those no longer are people named Starr or Hornung but denizens of a pantheon in another sphere, 16-millimeter film.

The NFL Films library includes all the Super Bowls, of course, and team highlight films. The annual Super Bowl video will sell about 100,000 copies.

Sports videos easily have outstripped the more serious documentaries such as "Victory at Sea." In fact, 9 of the top 10 documentaries are sports, topped by the 975,000 "Not So Great Moments in Sports."

The challenger for video supremacy has been the NBA and its evangelical producer of NBA Entertainment, Dan Sperling.

His office is cluttered with basketball photos. But there also is one football picture: of a helmeted, padded Lawrence Taylor of the New York Giants.

"Look at this," Sperling said. "How many people recognize him without his helmet on? But we've got guys who play in their underwear."

He has the country's hottest sports video, Michael Jordan's "Come Fly With Me." It has sold more than 250,000 copies at \$19.95, and may catch the champion, "Dazzling Dunks and Basketball Bloopers" with its retail sales of more than 275,000.

Many of today's videos are carefully tailored to the home market. Thus, there are new interviews with the stars involved, not merely clips of their greatest moments. In "Come Fly With Me," Jordan's high school coach admits — reluctantly — that he cut the youngster.

To Sabol, "the keeper of the flame," looking backward brings today's fans back to the grand old names.

"You'd be surprised at how many people never heard of John Unitas," he said. "Now we can show them what made him special."

Where video tapes may be obtained:

Madison Square Garden Home Video, Penn Plaza, Suite 1800, New York, N.Y. 10121. Telephone 212-563-3790.

Gerry Cosby & Co., 3 Penn Plaza, New York, N.Y. 10121. Telephone 212-563-6464.

NFL Films, 330 Fellowship Road, Mt. Laurel, N.J. 08054. Telephone 609-778-1600.

NBA Entertainment, 38 E. 32d St., 4th Floor, New York, N.Y. 10016. Telephone 212-532-6223.

## The Land of Lira's Enemy Within

International Herald Tribune

LONDON — The opening of borders has become the world's great challenge at the closing of the '80s. How will we cope tomorrow with those invited in today?

Soccer, ahead of the game, will soon provide a test case. The crux of the next World Cup is whether Italy, the host,

can survive when its foreign legionnaires turn against it.

The hero of the cup probably already lives in Italy, but may not be Italian. The land of the lire is mecca to Brazilians, Argentines, Uruguayans, Dutchmen, Soviets and West Germans.

Since 1980, more than 130 mercenaries have arrived at a cost of \$200 million. To some Italians, this has raised the level of home players and driven caution out of their style; to others it deprives Italians of opportunity.

Next June, the crowds will cheer the home boys when they are winning, but be on their backs when they lose. Resident foreigners like Diego Maradona, Antonio Caraca and Marco van Basten know all about the country's people, stadiums and moods without risking an outcry over failure.

Home advantage could turn to disadvantage. It is like going into battle against troops who occupy your territory, troops who command the critical advantage points and make the decisions for you. The "enemy" within could even be your club teammate.

Walter Zenga, Italy's last line of defense, shares his bonuses at Inter Milan with three West Germans. Until May, Zenga's job as goalkeeper is to give the ball to Jürgen Klinsmann, Lothar Matthäus and Andreas Brehme. But if Italy should meet West Germany between June 8 and July 8, that trio will aim to shoot Zenga down.

Not only them. Rudi Voller and Thomas Berthold, two more West Germans, play for A.S. Roma.

The West Germans have disappointed since 1986, but the Italians fear and respect their strength and timing. Italian clubs like Juventus are ready, checkbook in hand, to vouch for emerging German youth in the shape of Cologne's Thomas Hässler and Dortmund's Andreas Möller. If you can't beat them, buy them!

A.C. Milan went Dutch to conquer Europe, and indeed the world. Rudi Gullit, van Basten and Frank Rijkaard fashioned Milan's triumphs last spring. Van Basten, probably the deadliest striker on earth, rose off the surgeon's couch to score. Gullit pushed medical defiance beyond credibility to orchestrate last May's European Cup final, and is paying a crippling price.

His right knee wasn't ready, and rumor insists it may never recover. He is recuperating after a third operation, but his will is extraordinary and he wants that World Cup in 1990. What Gullit wants he usually gets, though a walking stick is an illegal prop on the soccer field.

Milan's owner, Silvio Berlusconi, says the team will wait as long as it takes for Gullit to heal within nature's cycle. But Berlusconi is reported to have an option on Alexei Mikhailichenko, the nearest there is to Gullit's surgically perfect, certainly expects Dynamo Kiev to sell him to an Italian club after the World Cup.

The Soviet Union, runner-up to the Netherlands in the

1988 European Championship and gold medalist at the Olympics, has Alexander Zavarov and Sergei Aleinikov to reap other life from Juventus. Zavarov is a creature of moods, but what touch, what fluency he displays when the spirit moves him. Aleinikov has unsuspected technique, responsibility and a will to score from midfield.

Experts say the Soviets are past their peak. Similar criticism was leveled at Diego Maradona and company before Argentina won the 1986 World Cup. Maradona, we know, can unravel genius out of months of apparent self-destruction. Italian spectators think he may not have to do it alone. They see Claudio Caniggia's style at Atlanta and occasionally stunning skills from Fiorentina's Ramon Diaz.

Only once has a nation won a World Cup outside its hemisphere. Brazil, in 1958, did so in Sweden, introducing us to a young god called Pelé.

Brazil now has 13 players employed in Italy, scores more in Portugal and a sprinkling in France, West Germany and Spain. They are less gifted than the 1958 team, but accustomed, as they showed in November by outplaying Italy at its own game in Bologna. Without major talents such as Mozer, Romario, Vado, Branco and Bebeto, the Brazilians won with a free kick spun by defender Andre Cruz.

It was a victory gained Italian style. Galvao, the sweeper, tightened the defense. Dunga (the Fiorentina playmaker) marked Roberto Baggio into oblivion. Alemão (Napoli) organized from deep; Jorginho (Bayer Leverkusen) gave thrilling impetus from fullback.

Uruguay, a force of dark violence at the last World Cup, is something more than that today. Enzo Francescoli has refreshed his appetite in Marseille and is joined in lightning counterattacks by Antonio Alzamendi of Logrones in Spain, plus Genoa's Ruben Paz and, quickest of all, Ruben Sosa of Lazio in Rome. Genoa has two more Uruguayan: midfielder stragglerman José Domínguez and defender Carlos Aguilera.

On and on the Italian connection goes. Sweden, which long ago exported both coaches and players, has midfielder Glenn Strömberg at Atlanta. And until recently, strikers Johnny Ekström and Dan Corneliusson were scorers with Empoli and Como.

Czechoslovakia has Labos Kubic in Florence. Yugoslavia's Srećko Katancic, a powerful midfielder, is at Sampdoria. Belgian defender Eric Gerets passed through Milan, while Austrian Toni Polster was a Torino marksman before moving to Seville. Even Spain, with money to keep most players at home, has Victor Muñoz at Sampdoria.

So who hasn't a man in Italy? As yet there is no African, Asian or North American. And no Romanian, although Italians would give a fortune for George Hagi and Marius Lacatus if ever they were allowed out.

And no Briton. England has only three players — John Barnes, Peter Beardsley and Steve McMahon, all of Liverpool — who attract interest from Italian clubs.

Scotland has none. Liam Brady of Ireland, whose country refused to select him for its World Cup team, graced Italy for years, but is too subtle for its style, like England's, puts blind faith in running, running, running. Italy, open house to soccer's world for a decade, must deny foreigners time and room for one month. Otherwise, it falls to the enemy within.

Rob Hughes is on the staff of the Sunday Times.

## BOOKS

## KING OF THE ROAD

By Paul Hemphill. 296 pages. \$18.95. Houghton Mifflin, One Beacon Street, Boston, Mass., 02108.

Reviewed by Winston Groom

PAUL HEMPHILL sets the tone of this sentimental but endearing story by having his foil, the forthright son of the book's main character, reading the Dylan Thomas poem, "Do Not Go Gentle Into That Good Night," to a class in his last teaching day at an obscure junior college in Florida.

The lines — "old age should burn and rave at close of day, rage, rage against the dying of the light" — are a heavy clue to this tender novel. The son goes home to see his aging father who is incarcerated in an alcoholism rehabilitation facility after being expelled from the retirement center where he and his Alzheimered wife had been living.

Sonny Hawkins finds his father, Jake, gambling with the patients, playing loud music, disrupting activities and finally making good with his threat to run away. Profane, joke-cracking, cigar-smoking and bourbon-drinking, Jake is an ex-trucker who has been steaming in his juices since he gave up the road.

The first thing Jake does when he gets back to the old family home in a rundown blue-collar section of Birmingham is start drinking whiskey again and remi-

niscing with Sonny about brighter days. Sonny, a recovering alcoholic himself, accepts all this bluster and braggadocio as stoically as he can until Jake starts talking about going back on the road.

Out behind the house is Jake's truck, idle for years until Jake begins to tinker with it again. It isn't long before the old Redball is spit-and-polished and ready to roll. Jake persuades an old acquaintance, a tire dealer he's worked for for years handling retracts, to let him make one last haul. Sonny, naturally, is appalled at the idea of a 70-year-old drunk getting behind the wheel, but Jake manages to persuade his old boss to let him take a load of tires out to Nevada and then pick up another load of recaps for the trip home.

Of course Sonny ends up going on this version of the "last trail drive" and the pair of them — the sad, middle-aged failure of a son and the crazy, twilight-year-old, irascible father — set out across the American continent — 5,000 miles of adventure.

This takes Jake and Sonny on back roads Jake never needs a map for, and to nostalgic old haunts decaying amid modern progress. In one touching episode, Jake pulls off at an ancient truck stop he always used to stay in, only to find it shut down and empty, victim of a new interstate highway nearby.

But in a small dwelling behind the place, Jake finds Minnie, wife of the owner — who has since died — and she reopens the restaurant one last time, just

for them, serving a dinner of "chicken-fried steak, mashed potatoes and sawmill gravy, and biscuits." By the end of the evening, Jake and Minnie are dancing to country tunes played on an old Wurlitzer juke box. More than anything, this novel is a labor of love, of the admiration of a son for his father, which is probably not such a common thing these days, if it ever was. Hemphill obviously knows what he's talking about when it comes to trucks and trucking, and the dedication

for the book cites his father as "the last trucker."

But the story also fulfills its original premise — that of the Dylan Thomas poem — and it is uplifting to see the triumph of old Jake Hawkins, raging successfully against "the dying of the light."

Winston Groom is a novelist. He wrote this for the Los Angeles Times.

## BEST SELLERS

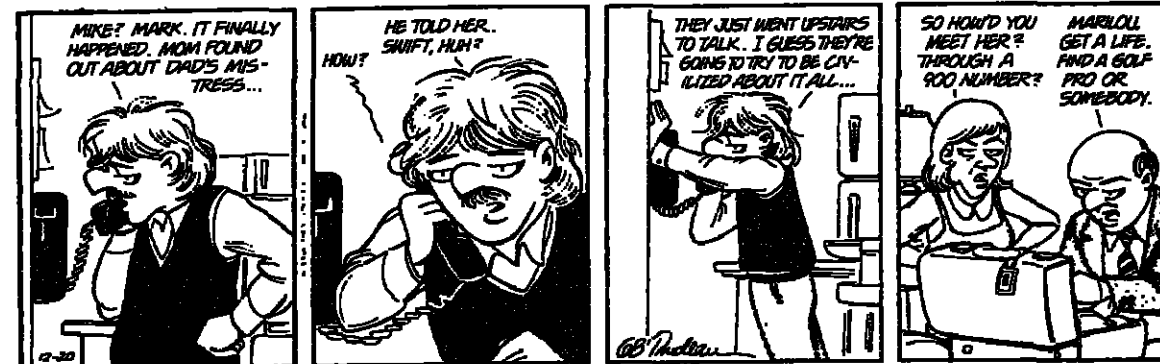
This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

Week	Book	Weeks on list
1	DADDY, by Danielle Steel	1
2	THE DARK HALF, by Stephen King	2
3	CARIBBEAN, by James A. Michener	3
4	CLEAR AND PRESENT DANGER, by Tom Clancy	4
5	THE POLAR EXPRESS, by Chris Van Allsburg	5
6	STRAIGHT, by Dick Francis	6
7	FOUCAULT'S PENDULUM, by Umberto Eco	7
8	TALES FROM MARGARITA, by Jimmy Stewart	8
9	JIMMY STEWART AND HIS POEMS, by Jimmy Stewart	9
10	THE ELEVENTH HOUR, by Greene Rue	10
11	SORCERESS OF DARSHIVA, by David Eddings	11
12	SWAN LAKE, by Mark Helprin	12

13	CALIFORNIA GOLD, by John Jakes	13
14	THE PILLARS OF THE EARTH, by Ken Follet	14
15	THE RENAISSANCE OF PERIN, by Anne McCaffrey	15
1	MY TURN, by Nancy Rangan with William Novak	1
2	ROSEANNE, by Roseanne Barr	2
3	ALL I REALLY NEED TO KNOW I LEARNED IN KINDERGARTEN, by Robert Fulghum	3
4	IT WAS ON FIRE WHEN I LAY DIVE ON IT, by Robert Fulghum	4
5	DRIVE, by Larry Bird	5
6	EDUCATION OF A WANDERING MAN, by Louis L'Amour	6
7	ALL MY BEST FRIENDS, by George Burns	7
8	LIAR'S SPOKE, by Michael Lewis	8
9	A BRIEF HISTORY OF TIME, by Stephen W. Hawking	9
10	I WANT TO GROW HAIR, I WANT TO GROW UP, I WANT TO GO TO BOISE, by Erma Bombeck	10
11	CHILI DAWGS ALWAYS BARK AT NIGHT, by Lewis Grizzard	11
12	AMONG SCHOOLCHILDREN, by Tracy Kidder	12
13	THE TERTIUM OF AMERICA, by Robert B.ork	13
14	WONDERFUL LIFE, by Stephen Jay Gould	14
15	PETE ROSE: MY STORY, by Pete Rose and Roger Kahn	15

1	THE WAY THINGS WORK, by David Macaulay	1
2	THE GREAT WALDO SEARCH, by Martin Handford	2
3	MARTHA STEWART'S CHRISTMAS, by Martha Stewart	3
4	THE WAY TO COOK, by Julia Child	4
5	WEALTH WITHOUT RISK, by Charles J. Givens	5

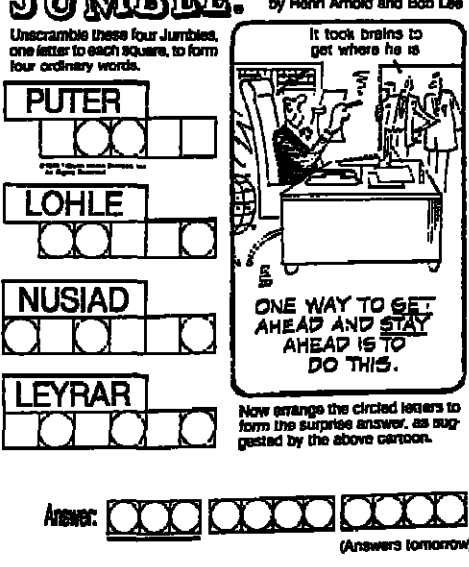
## DOONESBURY



## DENNIS THE MENACE



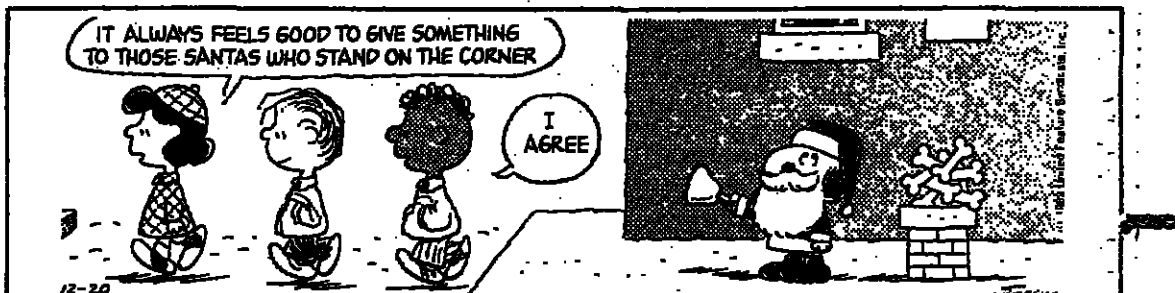
## JUMBLE



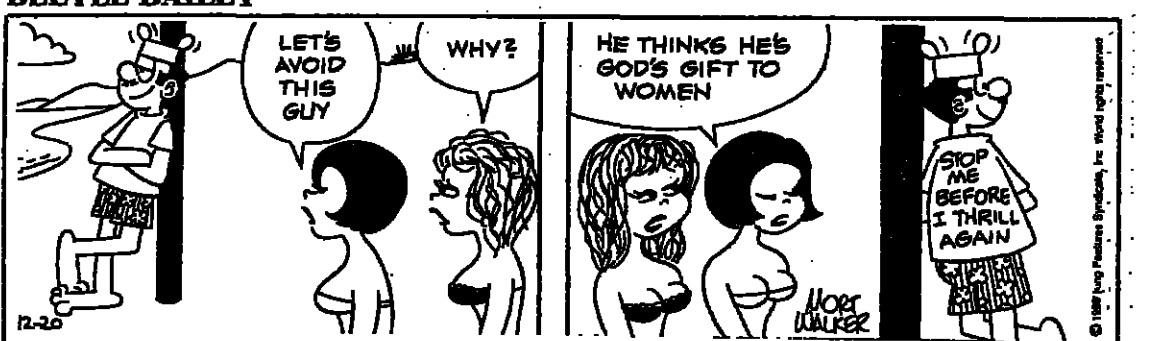
## BLONDIE



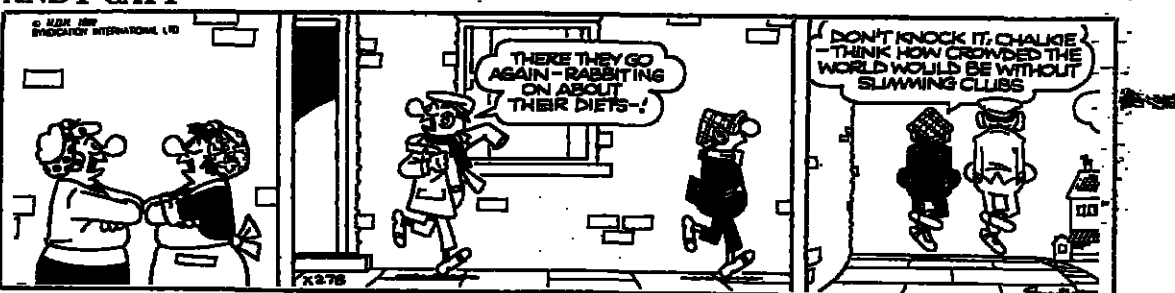
## PEANUTS



## BEETLE BAILEY



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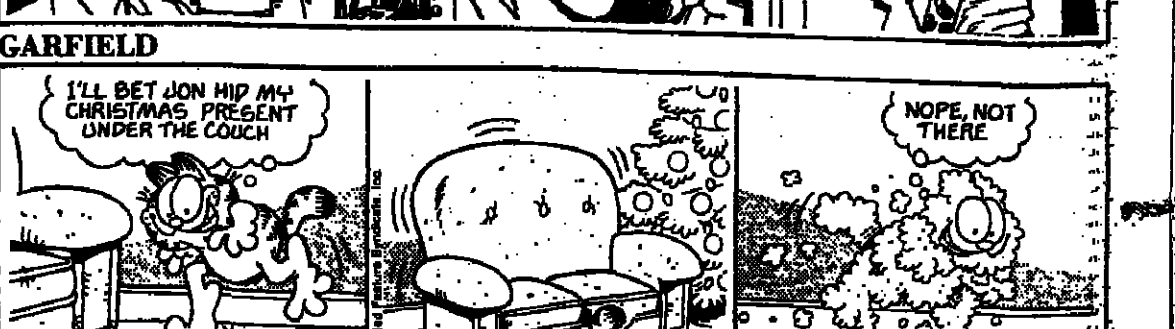
## WIZARD OF ID



## REX MORGAN



## GARFIELD



"CAW, CAW... LET'S HANG SOME JINGLE BELLS ON THE CAR AND GO FOR A RIDE ON A BUNNY ROAD!"

Yesterday's Jumble: UNITY SCOUR BAKING CAMPER  
Answer: Some aging thespians might find it difficult to do this—ACT THEIR AGE.



## SPORTS

## For Bears' Ditka, Tirades Have Led to a Fall From Grace in Chicago

By Dirk Johnson  
New York Times Service

CHICAGO — A year ago, Mike Ditka was so popular here that some suggested that he run for mayor. These days, as one Chicago sports writer put it, "He's lucky not to get run out of town."

For the first time in six years, Ditka's Chicago Bears will not be in the National Football League playoffs. Ditka is no longer treated as royalty. Indeed, in a recent poll by the Chicago Sun-Times newspaper, a solid majority wanted him to go. This for a coach whose Bears won five consecutive Central Division titles and a Super Bowl championship.

Have Bears fans become so spoiled by success that they would turn so quickly on their hero? At first blush, it would seem that Ditka has been hoist on his petard.

To be sure, another championship in

Chicago would have made Ditka critics as scarce around here as fans of the Green Bay Packers, who Sunday dropped the Bears' record to 6-9.

But there is more to Ditka's fall from grace than a few too many losses. This is Chicago, after all, a city that has known its share of losers and loved them nonetheless.

For most of his tenure, Ditka has personified the qualities that Chicagoans like to think symbolize their city: he is a big, tough, no-nonsense guy with street smarts and a gruff charm. But there is, perhaps, a thin line between being a bear and a bully. And many Chicago fans apparently believe Ditka has crossed it.

His post-game tirades have ranged from the embarrassing to the frightening, especially in light of the heart attack he suffered last year. With a fury that seems barely controlled, Ditka has raged

against his players, his offensive coach, the news media, even the fans.

"Get on the bus and go to Cleveland," he urged the fans, who had not cheered loudly enough to please him. "Those are real fans over there."

The Bears' president, Mike McCaskey, has vowed to stand behind Ditka, who has a year left on his contract. But in a televised interview last week, McCaskey said he had spoken with the coach about his heavy-handed ways.

"Mike has always coached with a mixture of pats on the back and fear," said McCaskey. "This season he hit the fear part a little hard."

In recent weeks, Ditka has seemed to cool a bit. He has apologized to fans for his behavior. And he has found more occasions to praise his players.

"I believe in these guys," Ditka said

last week after a practice. "This football team is nowhere near as bad as its record."

It remains to be seen whether Chicago fans will forgive and forget some of the earlier displays of temper. Before the season was even halfway over, Ditka had contemptuously predicted that his team would not win another game. With the Bears just one game out of first place, he pronounced that season over. Later he roared that the team "stinks."

During a loss to Washington, he laughed sarcastically at his hapless troops. Afterward, he pilloried rookie Donnell Woolford in a way that bordered on cruel.

"Donnell Woolford apparently can't cover anybody," the coach belittled, adding bitterly that it was a mistake to have drafted some of the Bear players.

It was the attack on Woolford, a soft-spoken defensive back who has been widely praised for his play this year, that especially angered many fans, as well as some players.

Perhaps because its teams have so often been underdogs, Chicago fans do not cotton to big shots who deride the little guy. Ron Santo, a former Cubs great, learned that lesson 20 years ago, after he angrily denounced a rookie center fielder for mishandling two fly balls. For his outburst, the fans in Wrigley Field hurled boos at Santo, who never quite regained his popular status.

Aside from his image with the public — no small concern for a man with as many television commercials as Ditka — the coach's rough treatment of his players might have also hurt the confidence of a team with so many younger players. "The older guys on this team know

Mike Ditka, and they know that sometimes he's just speaking out of frustration," said Mike Singletary, the team's outstanding linebacker. "But the younger guys don't know any better. And when the coach says you're no good, it can really shake them."

For his part, Woolford said that accepting criticism was just part of professional football. But he said, he wished the coach would deliver his criticism in person, rather than via the reporters at a post-game news conference.

"I think he ought to come to your face, and not just go off and talk about you to the public," said Woolford. "If I was the coach, I wouldn't do that."

But none of the players, including Woolford, blame the Bears' disappointing season on Ditka. "Mike's style has worked awfully well for a long time," said defensive tackle Dave Duerson.



Ditka: From a bear to a bully?

And most of them say Ditka's antics are all part of show business. It is his colorful style, along with his winning record, that has helped make him a regular presence on television commercials.

"You take Mike Ditka away from the NFL," said Duerson, "and you've got the makings of a pretty boring league."

## Wrong Shot Still Beats No. 25 Michigan State

The Associated Press

Cinton Venable said the last play of the game was supposed to go inside, not end up with his taking a shot from the perimeter.

But Bowling Green's coach, Jim Larranaga, wasn't complaining after Venable's three-pointer with 14

## COLLEGE BASKETBALL

seconds left beat No. 25 Michigan State, 81-79, on Monday night in East Lansing, Michigan.

"It went inside," Larranaga said. "I went inside that orange ring. That's what counts."

Michigan State called timeout with 10 seconds left, but Steve Smith's running five-footer banged off the rim.

Michigan State (7-2), which trailed for most of the game, rallied from a 76-69 deficit with 3:05 left and took a 79-78 lead on Parish Hickman's rebound of a missed free throw with 1:02 to play.

And when Bowling Green (7-1) turned the ball over with 46 seconds left, the Spartans appeared to be in good shape. But Jeff Casler missed the first of his one-and-one

free throws with 31 seconds left, setting up Venable's three-pointer.

Steve Watson led Bowling Green with 20 points. Steve Smith had 22 and Kirk Manns 20 for Michigan State.

"It's certainly a disappointing loss," said Michigan State's coach, Jud Heathcote.

No. 9 Louisville 93, Austin Peay 59: Denny Crum became the winningest basketball coach in Louisville history with a 444-149 record in his 19th season. The home victory, Louisville's seventh straight, also enabled the Cardinals to equal their best start since the 1982-83 Final Four squad was 8-1.

No. 10 Arkansas 91, Bethune-Cookman 61: Arkansas forced 31 turnovers and scored the first 21 points of the second half to turn a three-point halftime lead into a rout in Fayetteville, Arkansas.

No. 16 Iowa 59, Drexel 50: James Moses scored 17 points and Ray Thompson had 16 for Iowa (7-0), which overcame a 32-26 halftime deficit with a 13-5 burst at the start of the second half in Iowa City.

No. 20 Alabama 63, Baptist 32: Alabama reeled off the last 29 points of a 32-6 first half in Tuscaloosa, Alabama. The victory was the 199th of Wimp Sanderson's coaching career.



John Fourcade was sacked by Jerome Brown but his three touchdown passes helped down the Eagles.

## Rattled Eagles Lose to Saints, Fall Behind Giants in NFC East

The Associated Press

NEW ORLEANS — Midway through the first quarter, Randall Cunningham did what he does best, eluding a New Orleans pass rush and dashing up the field.

Nine yards past the line of scrimmage, Ricky Jackson reached in from behind, jarred the ball loose and Brett Maxie recovered at the Philadelphia 35-yard line. Five plays later, John Fourcade threw to Eric Martin for 17 yards and a touchdown and the Saints were on their way to a 20-0 victory Monday night that put a severe crimp in the Eagles' playoff plans in the National Football League.

The victory was a matter of beating the Eagles at their own game, turnovers, and doing it against the team that began the contest leading the NFL with a plus-24 ratio, more than double the second-best team. The Saints forced four turnovers, leading to three touchdowns, and blocked a field goal kick, a swing of 23 points in a game in which they were outgained 408 yards to 291.

They also sacked Cunningham in the end zone for two more points. The Eagles, on the other hand, got one turnover as they failed to clinch a National Conference wildcard spot and fell a game behind the New York Giants in the East.

The Eagles can still make the playoffs by beating Phoenix next week, but they need the Los Angeles Raiders to beat the Giants in order to win a second straight East title.

"I felt that if we had played to our potential we could have won," said Keith Byars, whose fumble at the Saints' 38-yard line set up Fourcade's 35-yard touchdown pass to Daltroy Hilliard that made it 14-0 early in the second quarter.

The Eagles did rally to lead, 20-16, after three quarters. But the Saints came back with their only sustained drive of the game, 79 yards. It ended in Fourcade's 20-yard pass to Martin that put New Orleans back ahead.

Then Dave Waymer intercepted Cunningham, setting up a 58-yard drive for the clinching score.

And, finally, Gene Atkins, who had recovered Byars' fumble and had made an interception, blocked Roger Ruzek's field goal try to ensure victory.

## Jets Hire Steinberg

The New York Jets have begun overhauling their team by hiring Dick Steinberg, the New England Patriots' player-development director, as vice president and general manager. The New York Times reported.

Steinberg will have the power to

hire or dismiss coaches, which puts all of the current staff in jeopardy.

By granting Steinberg complete football authority Monday, the Jets are under the control of a single football expert for the first time since 1974, when Ewbank's last year as general manager.

Steinberg, 54, has been a key figure in two Super Bowl teams, the 1979 Los Angeles Rams and the 1985 Patriots. His reputation around the NFL is rivaled only by that of Bobby Beathard, in whom the Jets were interested.

But Beathard, the former head of the Washington Redskins' football operation, told the Jets he wanted to work only on the West Coast.

## Chargers Fire Ortmayer

Steve Ortmayer, who as the San Diego Chargers' director of football operations was criticized for a series of trades that failed to improve the team, has been fired after three seasons. The Associated Press reported.

Ortmayer, a former Los Angeles Raiders executive who joined the Chargers in January 1987, was in the final year of his contract. During his tenure, the Chargers compiled a 19-27 record, including a 5-10 mark this season with one game remaining.

## What a Debut, A 100-2 Game

The Associated Press

NEAH BAY, Washington — Jack Winn won his debut as a coach but, as he said, "It was embarrassing."

After his Neah Bay High School girls' basketball team beat Seattle's American Indian Heritage team, 100-2, last Thursday, Winn said, "I did everything I could."

With the score 59-2 at the half, he consulted the principal and others. They offered no advice, so the game continued.

"Our game plan is to pressure the ball and to run," Winn said. "Pretty soon I'm saying no more press. Pretty soon I'm saying no more run. Then I told them to pass the ball five times before shooting."

So, with the score 98-2 and 22 seconds left, Winn called time out.

"I said, 'Girls, we have 23 seconds to go. Go for it.'"

Paula McCurtain's second-quarter basket was Indian Heritage's only points.

"They threw the ball up a lot," Winn said. "It just didn't go in."

## Coach Fisher Is Still Doing Incredible Things With No. 6 Michigan

By Steve Berkowitz  
Washington Post Service

WASHINGTON — About 15 months ago, Steve Fisher had a meeting with the University of Michigan's athletic director, Bo Schiebeler. Fisher, the assistant basketball coach, said he loved Michigan, but he was 43 years old and wanted to be a head coach.

"Any way I can help you," Schiebeler said. "I'll help you."

On March 15, with the Wolverines two days from a first-round game in the National Collegiate Athletic Association tournament and their coach, Bill Frieder, already having decided he was going to leave for Arizona State, Schiebeler helped Fisher. He made him Michigan's interim coach.

"It came to me a little bit quicker than I thought it would," Fisher said with a chuckle.

But Fisher proved worthy, when, to the shock of everyone but himself, his Michigan team won the NCAA championship and he had the "interim" removed from his title.

"To be in the limelight and the pilot's chair as we win the national championship," Fisher recalled recently, "Hall-of-Famers have never done that. Ralph Miller, who was one of the greatest coaches in the history of the game, never won a national championship."

"I'm one of them now that has, and it's hard to comprehend, but I don't feel as if I'm shocked that I

could take a team and have that happen. It's the circumstances that led it to happen that were shocking."

It still seems incredible, though. The manner and timing of Fisher's departure, Michigan squeaking past 14th-seeded Xavier, 92-87, in the first round and throttling Virginia, 102-65, in the Southeast Region final. His last-second, 83-81 victory over Illinois in the national semifinals. And his 80-79 overtime triumph over Seton Hall — the first overtime final since 1963.

That game will be repeated Sunday when the teams meet in the "Duel in the Desert," a doubleheader in Las Vegas that also features a game between Nevada-Las Vegas and Iowa.

"Last year was something that couldn't happen, but it happened," Fisher said. According to senior forward Loy Vaught, that Michigan has overcome a sluggish start this year to compile a 7-1 record and become the nation's sixth-ranked team should not be a surprise.

"He's a perfectionist," Vaught said of Fisher. "He pays attention to very small details. And he wants to win desperately."

Which is to say, Fisher hasn't changed a bit. "He's still the same Steve Fisher that he was before," senior guard Rumeal Robinson said.

The same Steve Fisher who coached for eight years at Rich East High School in Park Forest, Illinois, the same Steve Fisher who served as an assistant at Western Michigan for three years before coming to Michigan.

"I'm not doing anything different now than I did when I was at Rich East," Fisher said. "I felt that I was ready and able to be a head college coach, and I am. You never dream it can happen to you the way it happened, but I have never been fearful that I couldn't do it because I know I can. It's crazy, but it happened and now I'm back like everyone else in the work force and trying to continue to help a good team get better."

The Wolverines — who probably have four future National Basketball Association first-round draft choices in Robinson, Vaught, senior center Terry Mills and junior guard Sean Higgins — began the season with an 82-73 loss to Arizona in the Hall of Fame Tip-Off Classic in Springfield, Massachusetts.

They then looked superb in a 73-65 victory at Boston University and at the beginning of their next game, against Grambling at home in Ann Arbor. Fisher decided enough was enough.

Seven minutes into the game against the Tigers, after Michigan had committed five turnovers and held only a 10-6 lead, Fisher replaced all his starters. This chastised, the Wolverines rolled to an 85-70 victory.

"They will play a lot, lot better against Iowa State," Fisher said afterward. "I guarantee it." Sure enough, three days later, Michigan defeated the Cyclones, 101-78. Since then the Wolverines have run off four impressive victories, including a

113-108 overtime decision against then-No. 6 Duke. At last they are beginning to look like a team that returned seven of its top nine scorers — even if one of those who didn't return is Glen Rice, the Big Ten Conference's leading scorer last season, who averaged 30.7 points per game during the NCAA tournament.

"We're a team that is experienced, so you wouldn't think it would be quite as difficult for us to blend in a player," Fisher said, "but sometimes it is. The concern that I have with our team this year is numbers six, seven and eight off the bench. They are lacking in experience."

Junior guard Demetrius Calip played a significant role in the Wolverines' tournament victories, but had not played much before then. Chris Seter, a 6-foot, 9-inch (2.06-meter) junior forward and Eric Riley, a 6-11 sophomore center, never played before this season. Guard Michael Talley is talented, but he is a freshman.

"When we get in foul trouble or we have to go deep to our bench and have several of them (the less experienced players) out there at the same time, that is when I feel when we're not going to blend and flow like we will later in the season," Fisher said. "They just haven't done it before."

But Robinson has. His free throws with three seconds left in overtime clinched the Wolverines' victory in the NCAA tournament final. Yes, like Fisher, Robinson has not changed appreciably despite being besieged by fans and the media.

## SCOREBOARD

## BASKETBALL

## NBA Standings

EASTERN CONFERENCE				
Atlantic Division				
	W	L	Pct	GB
New York	14	7	.667	
Boston	12	10	.545	2 1/2
Philadelphia	11	10	.524	3
Washington	11	11	.500	3 1/2
Milwaukee	7	17	.292	7 1/2
New Jersey	6	15	.286	8
Central Division				
	W	L	Pct	GB
Chicago	14	7	.667	
Indiana	13	7	.650	1/2
Atlanta	12	8	.619	1
Cleveland	13	10	.565	2
Cleveland	10	11	.476	4
Milwaukee	10	12	.455	4 1/2
Orlando	8	15	.346	7
WESTERN CONFERENCE				
Midwest Division				
	W	L	Pct	GB
Utah	15	4	.789	
San Antonio	14	6	.700	1/2
Denver	14	9	.609	2
Phoenix	11	12	.476	5
Dallas	5	17	.292	10 1/2
Memphis	5	17	.292	10 1/2
Chicago	3	18	.143	12
Pacific Division				
	W	L	Pct	GB
L.A. Lakers	18	5	.783	
Portland	17	7	.708	1 1/2
Seattle	11	10	.524	6
Phoenix	9	10	.476	7
L.A. Clippers	8	12	.400	8 1/2
Golden State	8	14	.364	9 1/2
Sacramento	4	14	.286	10 1/2
No Games Played				

## NBA Leaders

(Through Sunday, Dec. 17)

Team Offense			
G	Pts	Avg	
New York	23	115.5	
Phoenix	21	111.5	
Phoenix	21	111.5	
Atlanta	21	110.5	
Phoenix	21	110.5	
Orlando	23	109.5	
Golden State	22	109.1	
Indiana	20	109.0	
L.A. Lakers	22	107.5	
Boston	22	107.5	
Milwaukee	22	107.5	
San Antonio	20	107.0	
Philadelphia	21	106.0	
Portland	22	105.0	
Washington	22	104.2	
Utah	21	103.1	
Sacramento	20	102.0	
Denver	23	101.8	
L.A. Clippers	20	101.8	
Cleveland	21	100.0	
Charlotte	21	99.2	
Atlanta	24	99.2	
Minnesota	22	99.1	

## HOCKEY

## NHL Standings

Team Defense			
G	Pts	Avg	
Utah	21	103.1	
Phoenix	21	103.1	
Phoenix	21	103.1	
Atlanta	21	103.1	
Phoenix	21	103.1	
Orlando	23	109.5	
Golden State	22	109.1	
Indiana	20	109.0	
L.A. Lakers	22	107.5	
Boston	22	107.5	
Milwaukee	22	107.5	
San Antonio	20	107.0	
Philadelphia	21	106.0	
Portland	22	105.0	
Washington	22	104.2	
Utah	21	103.1	
Sacramento	20	102.0	
Denver	23	101.8	
L.A. Clippers	20	101.8	
Cleveland	21	100.0	
Charlotte	21	99.2	
Atlanta	24	99.2	
Minnesota	22	99.1	

## Selected College Scores

Team Offense			
G	Pts	Avg	
New York	23	115.5	
Phoenix	21	111.5	
Phoenix	21	111.5	
Atlanta	21	110.5	
Phoenix	21	110.5	
Orlando	23	109.5	
Golden State	22	109.1	
Indiana	20	109.0	
L.A. Lakers	22	107.5	
Boston	22	107.5	
Milwaukee	22	107.5	
San Antonio	20	107.0	
Philadelphia	21	106.0	
Portland	22	105.0	
Washington	22	104.2	
Utah	21	103.1	
Sacramento	20	102.0	
Denver	23	101.8	
L.A. Clippers	20	101.8	
Cleveland	21	100.0	
Charlotte	21	99.2	
Atlanta	24	99.2	
Minnesota	22	99.1	

## FOOTBALL

## NFL Standings

Team Defense			
G	Pts	Avg	
New York	23	115.5	
Phoenix	21	111.5	
Phoenix	21	111.5	
Atlanta	21	110.5	
Phoenix	21	110.5	
Orlando	23	109.5	
Golden State	22	109.1	</



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